Vol. XVI

TRANSCRIPT OF RECORD

(Pages 6727 to 7221)

Supreme Court of the United States

OCTOBER TERM, 1944

No. 296

PANHANDLE EASTERN PIPE LINE COMPANY, ILLINOIS NATURAL GAS COMPANY AND MICHIGAN GAS TRANSMISSION CORPORATION, PETITIONERS,

vs.

FEDERAL POWER COMMISSION, CITY OF DETROIT, COUNTY OF WAYNE, MICHIGAN, ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE EIGHTH CIRCUIT

PETITION FOR CERTIORARI FILED JULY 28, 1944.

CERTIORARI GRANTED JANUARY 3, 1945.

VOL. XVI.

TRANSCRIPT OF RECORD.

United States Circuit Court of Appeals

EIGHTH CIRCUIT.

No. 12,466

PANHANDLE EASTERN PIPE LINE COMPANY, A CORPORATION, ILLINOIS NATURAL GAS COMPANY, A CORPORATION, AND MICHIGAN GAS TRANSMISSION CORPORATION, A CORPORATION, PETITIONERS,

vs.

FEDERAL POWER COMMISSION, CITY OF DETROIT, MICHIGAN, COUNTY OF WAYNE, MICHIGAN, MICHIGAN CONSOLIDATED GAS COMPANY, A CORPORATION, AND MICHIGAN PUBLIC SERVICE COMMISSION, RESPONDENTS.

PETITION TO REVIEW AND SET ASIDE ORDER OF FEDERAL POWER COMMISSION.

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Index, Volume I.

Index, Volume II.

Index, Volume III.

Index, Volume IV.

Index, Volume V.

Index, Volume VI.

Index, Volume VII.

Index, Volume VIII.

Index, Volume IX.

Index, Volume X.

Index, Volume XI.

XVII

Index, Volume XII.

Index, Volume XIII.

Index Volume XIV.

Index, Volume XV. and XVI.

Exhibit 254

YALE & TOWNE MANUFACTURING COMPANY

	Outstanding December 31	Price-Range for Year High	Low	Average	Value
	1941				
INDICATED MARKET VALUE OF CAPITAL					
Common Stock ($25 par)	486,656 shs.	22 1/2	15	18.75	$9,124,800
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$1,669,387
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					18.30%
Dividends Declared on Common Stock					$ 486,656

Exhibit 254

SECTION IV

WORKING PAPERS SHOWING THE COMPUTATION OF
"INVESTORS' APPRAISAL OF THE RISKS OF CAPITAL" IN THE NATURAL GAS INDUSTRY
AS COMPARED WITH OTHER DIVISIONS OF THE UTILITY INDUSTRY

FOR THE FULL YEAR 1941

SUPPLEMENTAL TO DATA FOR THE YEARS 1937, 1938, 1939 AND 1940
ALREADY FILED IN THESE PROCEEDINGS AS EXHIBITS NOS. 63 AND 64

6729

Exhibit 254

INVESTORS' APPRAISAL OF RISKS OF CAPITAL

FOR THE YEAR 1941

WATER COMPANIES

Company	Indicated Market Value of Capital	Earnings Available for Distribution to Capital: Amount	Earnings Available for Distribution to Capital: For the 12 Months Ended	Investors' Appraisal of Risks of Capital
(1)	(2)	(3)	(4)	5=3÷2
Bridgeport Hydraulic Co.	$19,348,280	$ 916,950	December 31, 1941	5.74%
Elizabeth Water Co. Cons.	4,415,069	377,164	December 31, 1941	8.54
Hackensack Water Company	25,960,225	1,509,322	June 30, 1941	5.81
Middlesex Water Co.	3,138,400	198,788	December 31, 1941	6.33
New Haven Water Co.	16,666,200	763,044	December 31, 1941	4.59
Plainfield-Union Water Co.	6,796,030	353,579	December 31, 1941	5.20
Stamford Water Co.	4,719,000	193,878	December 31, 1941	4.11
TOTALS	$81,043,204	$4,312,725		5.32%

6731

Exhibit 254

BRIDGEPORT HYDRAULIC COMPANY

	1941 Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($20 par)	360,000 shs.	37	29	33.00	$11,880,000
(b) "H" 3 1/4's, 1968	$1,490,000			106.00	1,579,400
(c) "I" 3 3/8's, 1974	4,971,000			108.00	5,368,680
(d) "J" 3's, 1970	500,000			104.04	520,200
Total Indicated Market Value					$19,348,280
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$686,051
Add: Interest and Amortization on Debt					230,899
Total Earnings Available for Capital					$916,950
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					5.74%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price estimated. Sold privately in June, 1938, by Lee Higginson Corp. $106 is call price.
(c) Price estimated. Sold privately in July 1, 1939.
(d) Price estimated. Sold privately in 1940 at $104.04.

Exhibit 254

ELIZABETHTOWN WATER COMPANY CONSOLIDATED

	1941				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($100 par)	39,342 shs.	114	105	109.50	$4,307,949
(a) Raritan Township Water 5's, 1960	$104,000	103	103	103.00	107,120
Total Indicated Market Value					$4,415,069
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$370,336
Add: Deductions from Gross Corporate Income (mainly bond interest)					6,828
Total Earnings Available for Capital					$377,164
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					8.54%

Note: (a) Quotations from National Quotation Bureau.

16534

Exhibit 254

HACKENSACK WATER COMPANY

	----------1 9 4 1----------				
	Outstanding Dec.31,1940	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($25 par)	307,500 shs.	33	23 3/4	28.38	$ 8,726,850
(a) 7% Cum. Pref. Stock - A ($25 par)	60,000 shs.	38	33	35.50	2,130,000
(b) Mtge. Bonds Ser. A 3 1/2's, 1968	$14,350,000	-	-	105.25	15,103,375
Total Indicated Market Value					$25,960,225
EARNINGS AVAILABLE FOR CAPITAL					
(c) Net Income for year ended June 30, 1941					$ 982,722
(c) Add: Interest on Funded Debt					501,397
Amortization of Debt Discount, etc.					24,365
Taxes assumed on Interest					838
Total Earnings Available for Capital					$1,509,322
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					5.81%

Notes: (a) Listed on New York Stock Exchange.
(b) Price estimated. Sold privately in October, 1938, at 105.25.
(c) Computed by adjusting earnings for the calendar year 1940 to give effect to increased net income and decreased interest charges reported for the first six months of 1941 as compared with the first six months of 1940.

Exhibit 254

MIDDLESEX WATER COMPANY

	------1 9 4 1------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	23,500 shs.	51	46	48.50	$1,139,750
(a) 7% Cum. Pref. ($100 par)	2,500 shs.	125	112	118.50	296,250
(a) Cons. Mtge. 5's, 1950	$ 32,000	110	105	107.50	34,400
(c) 1st & Ref. 3 3/4's, 1964	1,668,000			100.00	1,668,000
Total Indicated Market Value					$3,138,400

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$132,078
Add: Interest on Funded Debt	64,155
Amortization of Debt Discount	2,555
Total Earnings Available for Capital	$198,788

INVESTORS' APPRAISAL OF RISKS OF CAPITAL — 6.33%

Notes: (a) Quotations from National Quotation Bureau.
(c) Price estimated. Sold privately to two insurance companies on October 2, 1939.

Exhibit 254

NEW HAVEN WATER COMPANY

	1941 Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($50 par)	140,000 shs.	80	60	70.00	$ 9,800,000
(b) Gen. & Ref. "A" 3 1/4's, 1962	$3,960,000			102.00	4,039,200
(c) Gen. & Ref. "B" 3 1/4's, 1975	1,800,000			102.00	1,836,000
(d) Gen. & Ref. "C" 3 1/8's, 1976	550,000			100.00	550,000
(a) 1st & Ref. "D" 4 1/2's, 1983	400,000	112	108 1/2	110.25	441,000
Total Indicated Market Value of Capital					$16,666,200

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$529,316
Add: Interest on Long-Term Debt	227,984
Amortization of Debt Discount (obtained by comparing, as of year-ends, balance sheet items included in income account as "Other Non-Operating Deductions")	5,744
Total Earnings Available for Capital	$763,044

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 4.59%

Notes:
(a) Quotations from National Quotation Bureau.
(b) Price estimated. Sold privately in June, 1937.
(c) Price estimated. Sold privately in June, 1940.
(d) Price estimated. Sold privately in August, 1941.

Exhibit 254

PLAINFIELD-UNION WATER COMPANY

	------1 9 4 1------				
	Outstanding Sept. 30, 1941	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock (no par)	57,230 shs.	92	74	83.00	$4,750,090
(b) 1st Mtge. Ser. A, 3 1/4's, 1971	$1,950,000		-	104.92	2,045,940
Total Indicated Market Value					$6,796,030

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$292,160
Add: Interest on Long Term Debt	63,083
Amortization Deductions	(1,664)
Total Earnings Available for Capital	$353,579

INVESTORS' APPRAISAL OF RISKS OF CAPITAL	5.20%

Notes: (a) Quotations from National Quotation Bureau.
(b) Entire issue sold privately on April 1, 1941, at 104.92 to three insurance companies. The proceeds were used to retire $1,250,000 1st Mtge. Series A 5's, due 1961.

Parentheses indicate red figures.

Exhibit 254

STAMFORD WATER COMPANY

	-----1 9 4 1-----				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($20 par)	100,000 shs.	44 1/2	40	42.25	$4,225,000
1st Mtge. 5's, 1952	$400,000	129	118	123.50	494,000
Total Indicated Market Value					$4,719,000
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$173,878
Add: Interest requirements on bonds					20,000
Total Earnings Available for Capital					$193,878
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					4.11%

Note: (a) Quotations from National Quotation Bureau.

Exhibit 254

INVESTORS' APPRAISAL OF RISKS OF CAPITAL

FOR THE YEAR 1941

ELECTRIC UTILITY OPERATING COMPANIES

Company	Indicated Market Value of Capital	Earnings Available for Distribution to Capital: Amount	Earnings Available for Distribution to Capital: For the 12 Months Ended	Investors' Appraisal of Risks of Capital
(1)	(2)	(3)	(4)	5=3÷2
Bangor Hydro-Electric Co.	$ 19,203,858	$ 1,007,746	December 31, 1941	5.25%
Boston Edison Co.	122,565,765	7,695,210	December 31, 1941	6.28
Central Hudson Gas & Elec. Corp.	38,397,000	2,010,129	December 31, 1941	5.24
Cleveland Elec. Illuminating Co.	164,974,837	8,590,374	December 31, 1941	5.21
Commonwealth Edison Co.	666,043,870	39,204,117	December 31, 1941	5.89
Connecticut Power Co.	36,970,029	2,060,911	December 31, 1941	5.57
Consolidated Edison Co. of N. Y.	948,127,686	52,410,740	December 31, 1941	5.53
Consolidated Gas Elec. Lt. & Pwr. Co. of Baltimore	181,280,332	9,174,115	December 31, 1941	5.06
Detroit Edison Co.	279,434,722	18,632,220	December 31, 1941	6.67
Duke Power Co.	113,067,623	7,123,196	December 31, 1941	6.30
Hartford Electric Light Co.	54,223,400	2,724,423	December 31, 1941	5.02
Pacific Gas & Electric Co.	666,208,676	35,259,364	December 31, 1941	5.29
Pennsylvania Water & Power Co.	45,586,567	2,980,986	December 31, 1941	6.54
Southern California Edison Co.	317,949,816	17,781,113	December 31, 1941	5.59
Tampa Electric Co.	13,800,102	1,484,041	December 31, 1941	10.75
Totals	$3,667,834,283	$208,138,685		5.67%

Exhibit 254

BANGOR HYDRO-ELECTRIC COMPANY

	----------1 9 4 1----------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($25 par)	217,216 shs.	21 7/8	16	18.94	$ 4,114,071
(a) 7% Cum. Pfd. ($100 par)	25,000 shs.	143	137	140.00	3,500,000
(a) 6% Cum. Pfd. ($100 par)	21,799 shs.	115	111	113.00	2,463,287
1st Mtge. 3 3/4's, 1966	$7,108,000	114	111	112.50	7,996,500
(b) 1st Mtge. 3 1/2's, 1963	600,000		—	105.00	630,000
(c) 1st Mtge. 3's, 1966	500,000			100.00	500,000
Total Indicated Market Value					$19,203,858

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$ 691,517
Add: Interest on Funded Debt	299,862
Amortization of Debt Discount, Premium and Expense - Net	16,367
Total Earnings Available for Capital	$1,007,746
INVESTORS' APPRAISAL OF RISKS OF CAPITAL	5.25%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price used is call price. Sold privately in March, 1938, at 102 3/4.
(c) Price estimated. Sold privately in March, 1941.

Exhibit 254

BOSTON EDISON COMPANY

	----------1 9 4 1----------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($25 par)	2,468,656 shs.	35	20 1/4	27.63	$ 68,208,965
1st Mtge. 2 3/4's, 1970	$53,000,000	105	100 1/8	102.56	54,356,800
Total Indicated Market Value					$122,565,765
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$6,006,126
Add: Interest on Funded Debt					1,467,438
Write-off of Bond Refinancing Charges					274,275
(b) Less: Amortization of Bond Premium					(52,629)
Total Earnings Available for Capital					$7,695,210
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					6.28%

Notes: (a) Listed on Boston Stock Exchange.
(b) Estimated by Standard & Poor's Corp.

Parentheses indicate red figures.

Exhibit 254

CENTRAL HUDSON GAS & ELECTRIC CORPORATION

	1 9 4 1				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
Common Stock (no par)	1,500,000 shs.	13 5/8	5 3/8	9.50	$14,250,000
(a) 4 1/2% Cum. Pfd. ($100 par)	70,300 shs.	115	110	112.50	7,908,750
(b) 1st Mtge. 3's, 1971	$13,265,000			105.00	13,928,250
(c) 1st & Ref. Mtge. 3's, 1970	2,200,000			105.00	2,310,000
Total Indicated Market Value					$38,397,000
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$1,463,928
Add: Interest on Bonds					555,708
					2,019,636
Deduct: Amortization of Bond Premium (net)					9,507
Total Earnings Available for Capital					$2,010,129
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					5.24%

Notes: (a) Quotations from National Quotation Bureau.
(b) Sold privately to seven institutional buyers on May 2, 1941, at 105. Proceeds were used to refund 3 1/2's due 1965 and 1967.
(c) Price Estimated. Sold privately in 1940 at 101.

Exhibit 254

CLEVELAND ELECTRIC ILLUMINATING COMPANY

	------------------1 9 4 1------------------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	2,324,564 shs.	41	30	35.50	$ 82,522,022
(b) $4.50 Cum. Pfd. (no par)	254,989 shs.	115	109 5/8	112.31	28,637,815
1st Mtge. 3's, 1970	$50,000,000	110 1/4	105	107.63	53,815,000
Total Indicated Market Value					$164,974,837

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$7,056,586
Add: Interest on Funded Debt	1,500,000
Amortization of Bond Premiums (net)	33,788
Total Earnings Available for Capital	$8,590,374
INVESTORS' APPRAISAL OF RISKS OF CAPITAL	5.21%

Notes: (a) Listed on New York Curb Exchange.
(b) Listed on New York Stock Exchange.

Exhibit 254

COMMONWEALTH EDISON COMPANY

	1941				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($25 par)	12,718,616 shs.	30 1/8	20	25.06	$318,728,517
1st Mtge. Bonds "I", 3 1/4's, 1968	$100,000,000	110 3/4	107 5/8	109.19	109,190,000
(b) 1st Mtge. Bonds "J", 3 1/4's, 1979	114,500,000			105.00	120,225,000
(a) Conv. Deb. 3 1/2's, 1958	26,155,400	119 3/4	107	113.38	29,654,993
Pub. Serv. Co. of No. Ill. 1st 3 1/2's, 1968	80,000,000	111 1/8	108 3/8	109.75	87,800,000
(c) Commonwealth Elec. Co. 5's, 1943	152,000	108	106	107.00	162,640
Economy Lt. & Pr. Co. 1st Mtge. 5's, 1956	228,000	128	120	124.00	282,720
Total Indicated Market Value					$666,043,870

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$26,747,901
Add: Interest on Funded Debt	10,956,216
Amortization of Debt Discount and Expense	1,500,000
Total Earnings Available for Capital	$39,204,117

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.89%

Notes: (a) Listed on New York Stock Exchange.
(b) Price estimated. Sold privately in 1939 at 102.
(c) Quotations from National Quotation Bureau.

Exhibit 254

CONNECTICUT POWER COMPANY

	1941 Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($25 par)	662,791 shs.	54 3/4	28 1/2	41.63	$27,591,989
1st Mtge. 5's, 1956	$ 455,000	133	123	128.00	582,400
(b) 1st & Gen. "A" 3 3/4's, 1965	2,380,000			104.00	2,475,200
(c) 1st & Gen. "B" 3 1/4's, 1967	1,922,000			102.00	1,960,440
1st & Gen. "C" 3 1/4's, 1975	4,000,000	111	107	109.00	4,360,000
Total Indicated Market Value					$36,970,029

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$1,776,316
Add: Interest Charges, Amortization, etc.	284,595
Total Earnings Available for Capital	$2,060,911

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.57%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price used is call price. Sold privately October 1, 1935 to nine Hartford insurance companies at 102.
(c) Price used is call price. These bonds were sold privately January 1, 1937 to seven insurance companies

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

--------------------1 9 4 1--------------------

INDICATED MARKET VALUE OF CAPITAL	Outstanding December 31	Price Range for Year High	Low	Average	Value
Common Stock (no par)	11,471,027 shs.	23 3/8	11 3/4	17.56	$201,431,234
(a) $5 Cum. Pref. Stock (no par)	2,184,390 shs.	107 3/8	82	94.69	206,839,889
20 Yr. Deb. 3 1/2's, 1956	$35,000,000	107 5/8	103	105.31	36,858,500
20 Yr. Debs. 3 1/2's, 1958	30,000,000	111 3/4	106	108.88	32,664,000
10 Yr. Debs. 3 1/2's, 1948	60,000,000	107 1/2	104 3/4	106.13	63,678,000
10 Yr. Debs. 3 1/4's, 1946	35,000,000	105 1/4	102	103.63	36,270,500
N.Y. Edison Co. 3 1/4's, 1965	54,990,000	110 1/8	106 3/4	108.44	59,631,156
" " " 3 1/4's, 1966	30,000,000	110 3/4	107 1/8	108.94	32,682,000
N.Y. Gas & Elec. Lt., Heat & Pwr. Co. 5's, 1948	15,000,000	125 3/8	116	120.69	18,103,500
N.Y. Gas & Elec. Lt., Heat & Pwr. Co. 4's, 1949	20,803,000	118 3/4	111 1/4	115.00	23,923,450
Edison Elec. Ill. Co. of N.Y. 5's, 1995	2,188,000	152	149 5/8	150.81	3,299,723
New Amsterdam Gas Co. 5's, 1948	9,806,000	121 1/2	114	117.75	11,546,565
N.Y. & East River Gas Co. 5's, 1944	3,500,000	112	105	108.50	3,797,500
" " " " " " 5's, 1945	1,500,000	113	110	111.50	1,672,500
Westchester Lighting Co. 5's, 1950	8,684,000	128 1/2	122	125.25	10,876,710
" " " 3 1/2's, 1967	25,000,000	111	107 1/4	109.13	27,282,500
N.Y. & Westchester Ltg.Co. 4's, 2004	9,993,000	107 1/2	103	105.25	10,517,632
" " " " " 5's, 1954	2,500,000	115 1/8	114	114.56	2,864,000
N.Y. Steam Corp. 3 1/2's, 1963	27,982,000	108 3/4	105	106.88	29,907,162
(b) Yonkers Elec. Lt. & Pwr. Co. 3 1/2's, 1950	9,515,000			104.00	9,895,600
Kings County Elec. Lt. & Pwr. Co. 6's, 1997	5,123,000	170	161	165.50	8,478,565
Brooklyn Edison Co. 3 1/4's, 1966	55,000,000	111 5/8	103 1/4	107.44	59,092,000
(c) " " " 3's, 1968	4,240,000			104.00	4,409,600
(d) N.Y. & Queens E.L.& P.Co. 3 1/4's, 1968	10,000,000			105.00	10,500,000
N.Y. & Queens E.L.& P.Co. 3 1/2's, 1965	24,970,000	111 1/2	108 1/2	110.00	27,467,000
(e) Consol. Tel. & Elec. Subway Co. 3 1/4's, 1960	13,710,000			104.00	14,258,400
Total Indicated Market Value					$948,127,686

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$33,920,911
Add: Interest on Funded Debt	17,719,877
Amortization of Debt Discount, Other Interest, etc.	769,952
Total Earnings Available for Capital	$52,410,740

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.53%

Notes: (a) Listed on New York Stock Exchange.
(b) Price used is call price. Sold privately in August, 1938, to three insurance companies at 101 3/4.
(c) Price used is call price. Sold privately in December, 1938, to insurance companies at 101.
(d) Price used is call price. Sold privately in May, 1938, to insurance companies at 101.
(e) Price estimated. Sold privately in January, 1940, to insurance companies at a price to yield 3.10% or approximately 102.22.

Exhibit 254

CONSOLIDATED GAS, ELECTRIC LIGHT & POWER COMPANY OF BALTIMORE

-------------------1 9 4 1-------------------

INDICATED MARKET VALUE OF CAPITAL	Outstanding December 31	Price Range for Year High	Low	Average	Value
(a) Common Stock (no par)	1,167,397 shs.	73	39 1/2	56.25	$65,666,081
(a) 4 1/2% Pref. Series "B"	222,921 shs.	119 1/4	110 1/4	114.75	25,580,165
(a) 4% Pref. Series "C"	68,928 shs.	111 1/4	105	108.13	7,453,185
1st Ref. Mtge. S.F.-N-3 1/4's, 1971	$21,495,000	112 5/8	107 3/4	110.19	23,685,341
(c) 1st Ref. Mtge. S.F.-O-3 1/4's, 1968	28,440,000			110.00	31,284,000
1st Ref. Mtge. S.F.-P-3's, 1969	7,000,000	111	105 1/4	108.13	7,569,100
(b) 1st Ref. Mtge. S.F.-Q-2 3/4's, 1976	12,000,000	106	100 1/4	103.13	12,375,600
Consol.Gas Co. of Balt. City 4 1/2's, 1954	6,100,000	128 1/4	122 5/8	125.44	7,651,840
(d) Indebtedness to Mayor, City Council of Laurel, Maryland	15,000			100.00	15,000
Total Indicated Market Value					$181,280,332

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$6,701,383
Add: Interest and Amortization on Bonds	2,472,732
Total Earnings Available for Capital	$9,174,115

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.06%

Notes: (a) Listed on New York Curb Exchange.
(b) Offered in January 1941 - $12,000,000 at 103 1/2 and interest. $5,850,000 of proceeds used to refund like principal amount of Series "M" 3 1/2's, 1965.
(c) Price estimated. Sold privately in June, 1938, to a small group of insurance companies.
(d) Price estimated.

Exhibit 254

DETROIT EDISON COMPANY

	---------1 9 4 1---------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($20 par)	6,361,300 shs.	23 1/4	16 5/8	19.94	$126,844,322
Ref. Mtge. Series "F", 4's, 1965	$49,000,000	112 1/4	108 1/8	110.19	53,993,100
" " " "G", 3 1/2's, 1966	35,000,000	112 3/8	109	110.69	38,741,500
" " " "H", 3's, 1970	50,000,000	107 1/2	102 3/8	104.94	52,470,000
(b) Construction Notes, 2 1/4's, due serially to 1945	7,045,000			100.00	7,045,000
Great Lakes Power Co. 6's, 1943	320,000	108	105	106.50	340,800
Total Indicated Market Value					$279,434,722
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$12,443,156
Add: Interest on Funded Debt and Construction Notes					5,298,319
Amortization of Debt Discount and Expense					890,745
Total Earnings Available for Capital					$18,632,220
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					6.67%

Notes: (a) Listed on New York Stock Exchange. Par Value changed from $100 to $20 on March 25, 1941. Five new shares were issued for each old one.
(b) Price estimated. Interest rate reduced to 2 1/4% on May 1, 1941.

Exhibit 254

DUKE POWER COMPANY

	---1 9 4 1---				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
Common Stock ($100 par)	1,010,048 shs.	76 1/4	67	71.63	$72,349,738
(a) 7% Cum. Pfd. ($100 par)	2,837 shs.	105	105	105.00	297,885
(b) 1st & Ref. Mtge. 3 1/2's, 1967	$30,000,000			107.00	32,100,000
(c) 1st & Ref. Mtge. 4's, 1967	8,000,000			104.00	8,320,000
Total Indicated Market Value					$113,067,623

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$5,753,196
Add: Interest on Bonds as computed by Standard & Poor's Corp. (not shown separately in report)	1,370,000
Total Earnings Available for Capital	$7,123,196

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 6.30%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price used is call price. Sold privately in February, 1936, at 100 to the Duke Endowment Trusts
(c) Price used is call price. Sold privately in July, 1935.

Exhibit 254

HARTFORD ELECTRIC LIGHT COMPANY

	Outstanding December 31	High	Low	Average	Value
	-----1 9 4 1-----				
		Price Range for Year			
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($25 par)	840,000 shs.	65 1/4	45	55.13	$46,309,200
(b) 30 Yr. 3 Debentures, Series 1937, 1967	$3,220,000			101.00	3,252,200
(c) 30 Yr. 3 1/4 Debentures, 1971	4,200,000	112	110	111.00	4,662,000
Total Indicated Market Value					$54,223,400

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$2,581,798
Add: Interest on Bonds as computed by Standard & Poor's Corp. (not shown separately in report)	142,625
Total Earnings Available for Capital	$2,724,423

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.02%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price used is call price. Sold privately in 1937 at 100 3/4 to six insurance companies.
(c) Registration statement effective July 15, 1941. Offered to stockholders of record July 15, 1941 at par in ratio of $100 principal for each 20 shares of common held. Balance not subscribed by Sept. 2, 1941 to be sold at public or private sale.

Exhibit 254

PACIFIC GAS & ELECTRIC COMPANY

	1941 Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
Parent Company					
(a) Common Stock ($25 par)	6,261,357 shs.	28 7/8	17 1/4	23.06	$144,386,892
(f)(b) 5% Cum. Pref. ($25 par)	400,000 shs.	27 1/2	25 3/4	26.63	10,652,000
(c) 5 1/2% Cum. Pref. ($25 par)	1,173,163 shs.	31 5/8	28 1/4	29.06	34,092,117
(c) 6% Cum. Pref. ($25 par)	4,197,662 shs.	34 1/2	30 3/8	32.44	136,172,155
Series G 4s, 1964	$ 90,658,000	114 1/4	109 3/4	112.00	101,536,960
" H 3 3/4s, 1961	116,161,000	112 7/8	106 1/2	109.69	127,417,001
" I 3 1/2s, 1966	50,000,000	111 1/2	105	108.25	54,125,000
(d) " J 3s, 1970	19,608,000	106 3/8	99 3/4	103.06	20,208,005
(f)(e) " K 3s, 1971	24,934,000	105	99 3/4	102.38	25,527,429
Subsidiary					
San Joaquin Lt. & Pwr. Corp. "B" 6s, 1952	8,973,000	138 1/2	131	134.75	12,091,117
Total Indicated Market Value					$666,208,676

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$22,463,636
Add: Interest on Funded Debt	11,888,596
Amortization of Bond Discount and Expense	900,382
Taxes Assumed on Interest	8,863
	35,261,477
Deduct: Increase for 1941 in minority interest in surplus	43
Dividends on Capital Stock of subsidiary company	2,070
	2,113
Total Earnings Available for Capital	$35,259,364

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.29%

Notes: (a) Listed on New York Stock Exchange.
(b) 400,000 shares offered by the company in July, 1941, at $27.
(c) Listed on San Francisco Exchange.
(d) Sold in March, 1941, at 101 3/4 to supply funds for general corporate purposes and to finance in part a proposed construction program.
(e) Sold on November 25, 1941 at 105 to supply funds for general corporate purposes and to finance in part a proposed construction program.
(f) Prices obtained from National Quotation Bureau.

Exhibit 254

PENNSYLVANIA WATER & POWER COMPANY

	------------------1 9 4 1------------------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	429,848 shs.	57 7/8	34 1/2	46.19	$19,854,679
(b) $5 Cum. Pref. (no par)	21,493 shs.	115	108	111.50	2,396,470
Ref. & Coll. Tr. 3 1/4's, 1964	$10,797,000	110 1/2	105	107.75	11,633,768
" " " " 3 1/4's, 1970	10,860,000	110 1/2	105	107.75	11,701,650
Total Indicated Market Value					$45,586,567

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$2,110,690
Add: Interest on Funded Debt	707,113
Taxes Assumed on Interest Amortization of Debt Discount, Premium and Expense (net)	163,183
Total Earnings Available for Capital	$2,980,986

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 6.54%

Notes: (a) Listed on New York Curb Exchange.
(b) Quotations from National Quotation Bureau.

Exhibit 254

SOUTHERN CALIFORNIA EDISON COMPANY, LTD.

	----1 9 4 1----				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($25 par)	3,182,805 shs.	28 3/8	16 1/8	22.25	$ 70,817,411
(b) Original Part. Cum. Pfd. ($25 par)	160,000 shs.	46 1/2	38	42.25	6,760,000
(b) 6% Pfd. Series "B" ($25 par)	1,907,256 shs.	31 1/4	26 3/4	29.00	55,310,424
(b) 5 1/2% Pfd. Series "C" ($25 par)	1,399,601 shs.	29 7/8	24 3/4	27.31	38,223,103
1st & Ref. Mtge. 3's, 1965	$108,000,000	106 1/4	99 1/2	102.88	111,110,400
(c) 1st & Ref. Mtge. 3 1/4's, 1964	30,000,000			105.00	31,500,000
Pacific Lt. & Pr. 1st Mtge. 5's, 1942	4,078,000	106 3/8	101	103.69	4,228,478
Total Indicated Market Value					$317,949,816
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$12,752,788
Add: Interest on Bonds					4,421,542
Amortization of Debt Discount, Redemption Premium and Expense					606,783
Total Earnings Available for Capital					$17,781,113
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					5.59%

Notes: (a) Listed on New York Stock Exchange.
(b) Listed on New York Curb Exchange.
(c) Price estimated. Sold privately on Sept. 1, 1939, to five insurance companies at 104.37.

Exhibit 254

TAMPA ELECTRIC COMPANY

	1 9 4 1				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	597,867 shs.	25	17 3/8	21.19	$12,668,802
(b) 7% Cum. Pref. "A" ($100 par)	10,000 shs.	114 1/4	112	113.13	1,131,300
Total Indicated Market Value					$13,800,102
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$ 1,484,041
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					10.75%

Notes: (a) Listed on New York Curb Exchange
(b) Quotations from National Quotation Bureau.

6777

Exhibit 254

INVESTORS' APPRAISAL OF RISKS OF CAPITAL

FOR THE YEAR 1941

MANUFACTURED AND MIXED GAS COMPANIES

Company	Indicated Market Value of Capital	Earnings Available for Distribution to Capital: Amount	For the 12 Months Ended	Investors' Appraisal of Risks of Capital
(1)	(2)	(3)	(4)	5=3÷2
Bridgeport Gas & Light Company	$ 5,984,750	$ 441,618	December 31, 1940	7.39%
Brooklyn Union Gas Company	57,700,059	4,069,369	December 31, 1941	7.05
Elizabethtown Consolidated Gas Co.	7,452,830	548,277	December 31, 1940	7.36
Hartford Gas Company	5,895,000	376,796	December 31, 1941	6.39
Laclede Gas Light Company	30,224,353	2,732,583	December 31, 1941	9.04
Peoples Gas, Light & Coke Co.	102,698,644	7,551,784	December 31, 1941	7.35
Providence Gas Company	11,623,584	879,309	December 31, 1941	7.56
Seattle Gas Company	4,129,179	419,970	December 31, 1941	10.17
Springfield (Mass.) Gas Light Co.	3,385,712	287,233	December 31, 1941	8.48
Washington Gas & Light Co.	33,671,358	2,058,153	December 31, 1941	6.11
Totals	$262,765,469	$19,365,092		7.37%

Exhibit 254

BRIDGEPORT GAS LIGHT COMPANY

	1 9 4 1				
	Outstanding Dec.31,1940	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	181,500 shs.	35	18	26.50	$4,809,750
1st Mtge. 4's, 1952	$1,000,000	121	114	117.50	1,175,000
Total Indicated Market Value					$5,984,750

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, 1940, as reported	$401,618
Add: Interest on Bonds	40,000
Total Earnings Available for Capital	$441,618

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 7.39%

Note: (a) Quotations from National Quotation Bureau.

Exhibit 254

BROOKLYN UNION GAS COMPANY

	------1 9 4 1------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	745,364 shs.	14 1/4	7	10.63	$ 7,923,219
1st Cons. Mtge. 5's, 1945	$14,736,000	111 1/2	104	112.75	16,614,840
1st Lien & Ref. Mtge. "A" 6's, 1947	6,000,000	113 5/8	107	110.33	6,619,800
1st Lien & Ref. Mtge. "B" 5's, 1957	10,000,000	107 1/2	102 1/4	104.88	10,488,000
20 Year Debs. 5's, 1950	18,000,000	95 3/8	83	89.19	15,154,200
Total Indicated Market Value					$57,700,059

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$1,548,942
Add: Interest on funded debt	2,496,800
Amortization of debt discount	28,427
	4,074,169
Deduct: Amortization of debt premium	4,800
Total Earnings Available for Capital	$4,069,369

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 7.05%

Notes: (a) Listed on N. Y. Stock Exchange.

Exhibit 254

ELIZABETHTOWN CONSOLIDATED GAS COMPANY

	----------------1 9 4 1----------------				
	Outstanding Dec.31,1940	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock (no par)	38,716 shs.	805	180	[illegible].50	$7,452,830

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, 1940 as reported $548,277

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 7.36%

Notes: (a) Quotations from National Quotation Bureau.

6785

Exhibit 254

HARTFORD GAS COMPANY

	----------------1 9 4 1----------------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($25 par)	150,000 shs.	35	24	29.50	$4,425,000
(a) 8% Cum. Pref. ($25 par)	30,000 shs.	50	48	49.00	1,470,000
Total Indicated Market Value					$5,895,000
EARNINGS AVAILABLE FOR CAPITAL					
Net income for year ended December 31, as reported					$376,796
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					6.39%

Notes: (a) Quotations from National Quotation Bureau.

Exhibit 254

LACLEDE GAS LIGHT COMPANY

	---------1 9 4 1---------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($100 par)	107,000 shs.	17 1/4	5 1/4	11.25	$ 1,203,750
(a) 5% Cum. Pref. ($100 par)	23,330 shs.	45 1/2	17 1/4	31.38	732,095
Ref. & Ext. 5's, 1942	$9,302,000	99 3/8	92 1/4	95.81	8,912,246
" " " 5's, 1939	691,000	101	94	97.50	673,725
(b) " " " 5's 1934 (not extended)	7,000			96.75	6,773
1st & Coll. Ref. "C" 5 1/2's, 1953	17,500,000	89	56 1/4	72.62	12,708,500
" " " " "D" 5 1/2's, 1960	5,500,000	89	57 1/2	73.25	4,028,750
Coll. Trust Notes 6's Ser.A, 1942	2,345,000	79	49	64.00	1,500,800
" " " 6's Ser.B, 1942	655,000	89 3/4	50	69.88	457,714
Total Indicated Market Value					$30,224,353

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$ 625,085
Add: Interest on Funded Debt	1,945,000
Amortization of Debt Discount	145,406
Taxes on Bonds and Interest	17,092
Total Earnings Available for Capital	$2,732,583

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 9.04%

Notes: (a) Listed on New York Stock Exchange.
(b) Price estimated.

Exhibit 254

PEOPLES GAS LIGHT & COKE COMPANY

	1 9 4 1				
	Outstanding	Price Range for Year			
	December 31	High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($100 par)	656,000 shs.	54	36 3/4	45.38	$ 29,769,280
1st Consol. Mtge. 6's, 1943	$ 912,000	111	107	109.00	994,080
Ref. Mtge. 5's, 1947	20,386,000	118 1/4	112	115.13	23,470,402
(b) 1st & Ref. Mtge. "E" 3 1/4's, 1966	22,000,000			100.00	22,000,000
(b) " " " " "F" 3's, 1956	15,000,000			100.00	15,000,000
Mutual Fuel Gas Co. 1st Mtge. 5's, 1947	4,864,000	117 1/2	115	116.25	5,654,400
Ogden Gas Co. 1st Mtge. 5's, 1945	5,214,000	113 1/2	106	109.75	5,810,482
Total Indicated Market Value					$102,698,644

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$4,283,697
Add: Interest on Long-Term Debt	2,992,682
Premium and Interest to maturity on bonds reacquired and cancelled in 1941	92,491
Amortization of Debt Discount and Expense	70,002
Expense in connection with issuance of bonds in 1941	112,912
Total Earnings Available for Capital	$7,551,784

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 7.35%

Notes: (a) Listed on New York Stock Exchange.
(b) Prices estimated. Sold privately in August, 1941, to five insurance companies at par. Proceeds were used to retire 1st & Ref. Mtge. "B" 4's of 1981 and "D" 4's of 1961.

Exhibit 254

PROVIDENCE GAS COMPANY

	1941				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock (no par)	1,074,028 shs.	8 3/4	6 1/2	7.63	$ 8,194,834
1st Mtge. "B" 4s, 1963	$3,250,000	107	104	105.50	3,428,750
Total Indicated Market Value					$11,623,584

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$740,129
Add: Deductions from Gross Income	139,180
Total Earnings Available for Capital	$879,309

INVESTORS' APPRAISAL OF RISKS OF CAPITAL — 7.56%

Notes: (a) Listed on N. Y. Curb Exchange.

Exhibit 254

SEATTLE GAS COMPANY

	----1 9 4 1----				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	23,825 shs.	.25	.01	0.13	$ 3,097
(a) $5 1st Pref. (no par)	47,250 shs.	14	6 1/2	10.25	484,313
(a) $5 2nd Pref. (no par)	27,556 shs.	1 1/2	1/4	0.88	24,249
1st & Ref. 5s, 1954	$4,725,000	82	64	73.00	3,449,250
Seattle Lighting Co. 5s, 1944	158,000	109	104	106.50	168,270
Total Indicated Market Value					$4,129,179

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$172,990
Add: Interest on Funded Debt	244,592
Amortization of Reorganization Expenses applicable to Funded Debt	2,388
Total Earnings Available for Capital	$419,970

INVESTORS' APPRAISAL OF RISKS OF CAPITAL	10.17%

Notes: (a) Quotations from National Quotation Bureau.

Exhibit 254

SPRINGFIELD GAS LIGHT COMPANY

	----1 9 4 1----				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($25 par)	214,404 shs.	13 5/8	10 1/2	12.06	$2,585,712
(b) 10 Year Notes, 3's, 1946	$500,000			100.00	500,000
(b) 10 Year Notes, 3 1/2's, 1947	300,000			100.00	300,000
Total Indicated Market Value					$3,385,712

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$258,268
Add: Interest, etc.	28,965
Total Earnings Available for Capital	$287,233
INVESTORS' APPRAISAL OF RISKS OF CAPITAL	8.48%

Notes: (a) Quotations from National Quotation Bureau.
(b) Prices estimated.

Exhibit 254

WASHINGTON GAS LIGHT COMPANY

	--1 9 4 1--				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	425,000 shs.	24	14	19.00	$ 8,075,000
(b) $4.50 Cum. Pref. (no par)	60,000 shs.	106	102	104.00	6,240,000
Gen. Mtge. 5s, 1960	$5,199,500	132	125	128.50	6,681,358
(c) Ref. Mtge. 4 1/4s, 1956	2,400,000			105.00	2,520,000
(d) Ref. Mtge. 4s, 1963	8,500,000			105.00	8,925,000
Georgetown Gaslight Co. 5s, 1961	1,000,000	125	121	123.00	1,230,000
Total Indicated Market Value					$33,671,358

EARNINGS AVAILABLE FOR CAPITAL

Net income for year ended December 31, as reported	$1,223,885
Add: Interest on long-term debt.	753,108
Amortization of debt discount and expense. (Includes small amount of other interest and miscellaneous deductions)	81,160
Total Earnings Available for Capital	$2,058,153

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 6.11%

Notes: (a) Listed on New York Stock Exchange.
(b) Quotations from National Quotation Bureau.
(c) Price is 1941 call price. Offered privately in 1936 to Metropolitan Life Insurance Co., New York
(d) Price is 1941 call price. Offered privately in 1938 to six insurance companies at 101.

Exhibit 254

INVESTORS' APPRAISAL OF RISKS OF CAPITAL

FOR THE YEAR 1941

ALL NATURAL GAS COMPANIES

Company	Indicated Market Value of Capital	Earnings Available for Distribution to Capital: Amount	Earnings Available for Distribution to Capital: For the 12 Months Ended	Investors' Appraisal of Risks of Capital
(1)	(2)	(3)	(4)	5=3÷2
Consolidated Gas Utilities Corp.	$ 8,675,877	$ 819,589	October 31, 1941	9.45%
El Paso Natural Gas Co.	30,224,572	2,556,174	December 31, 1941	8.46
Houston Natural Gas Corp.	6,293,835	731,845	July 31, 1941	11.63
Interstate Natural Gas Co.	20,488,490	2,049,129	December 31, 1941	10.00
Lone Star Gas Corp.	68,295,511	6,384,254	December 31, 1941	9.35
Memphis Natural Gas Co.	4,359,511	701,853	December 31, 1940	16.10
Montana-Dakota Utilities Co.	27,587,742	1,607,747	December 31, 1941	5.83
Mountain Fuel Supply Co.	10,327,591	950,069	December 31, 1940	9.20
National Fuel Gas Co.	41,683,402	3,491,533	December 31, 1941	8.38
Northern Natural Gas Co.	49,628,400	3,969,863	December 31, 1941	8.00
Oklahoma Natural Gas Co.	49,084,115	3,264,499	August 31, 1941	6.65
Pacific Lighting Corp.	155,989,234	9,322,832	December 31, 1941	5.98
Panhandle Eastern Pipe Line Co.	64,585,484	5,483,884	December 31, 1941	8.49
Southern Natural Gas Co.	36,139,771	3,495,970	September 30, 1941	9.67
Totals (including Panhandle Eastern Pipe Line Co.)	$573,363,535	$44,829,241		7.82%
Totals (excluding Panhandle Eastern Pipe Line Co.)	$508,778,051	$39,345,357		7.73%

Exhibit 254

INVESTORS' APPRAISAL OF RISKS OF CAPITAL

FOR THE YEAR 1941

NATURAL GAS PIPE LINE COMPANIES

Company	Indicated Market Value of Capital	Earnings Available for Distribution to Capital: Amount	Earnings Available for Distribution to Capital: For the 12 Months Ended	Investors' Appraisal of Risks of Capital
(1)	(2)	(3)	(4)	5=3÷2
El Paso Natural Gas Co.	$ 30,224,572	$ 2,556,174	December 31, 1941	8.46%
Interstate Natural Gas Corp.	20,488,490	2,049,129	December 31, 1941	10.00
Memphis Natural Gas Co.	4,359,511	701,853	December 31, 1940	16.10
Northern Natural Gas Co.	49,628,400	3,969,863	December 31, 1941	8.00
Panhandle Eastern Pipe Line Co.	64,585,484	5,483,884	December 31, 1941	8.49
Southern Natural Gas Co.	36,139,771	3,495,970	September 30, 1941	9.67
Totals (including Panhandle Eastern Pipe Line Co.)	$205,426,228	$18,256,873		8.89%
Totals (excluding Panhandle Eastern Pipe Line Co.)	$140,840,744	$12,772,989		9.07%

Exhibit 254

CONSOLIDATED GAS UTILITIES CORP.

	------------1 9 4 1------------				
	Outstanding October 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($1 par)	886,026 shs.	1 3/4	1 1/8	1.44	$1,275,877
(b) 1st Mtge. Sinking Fund 4s, 1956	$6,500,000			100.00	6,500,000
(c) Ten Year 5s, 1951	900,000			100.00	900,000
Total Indicated Market Value					$8,675,877
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended October 31 as reported					$398,109
Add: Interest on funded debt					408,331
Refund of state taxes paid by security holders					6,548
Federal income taxes paid under bond covenants					3,071
Amortization of Funded Debt expense					3,533
Total Earnings Available for Capital					$819,589
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					9.45%

Notes: (a) Listed on N. Y. Curb Exchange.
(b) Prices estimated. Sold privately in April, 1941 at 100 to a group of institutional investors.
(c) Prices estimated. Sold privately in April, 1941 at 100 to individual buyers.

Exhibit 254

EL PASO NATURAL GAS COMPANY

	Outstanding December 31	Price Range for Year High	Low	Average	Value
	---1 9 4 1---				
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($3 par)	601,594 shs.	33	21 3/4	27.38	$16,471,644
(b) Pref. 7% Cum. ($100 par)	14,797 shs.	111 1/2	103 1/2	107.50	1,590,678
(c) 1st Mtge. 3 1/2s, 1953	$6,000,000			102.00	6,120,000
(d) 1st Mtge. 3s, 1955	2,700,000			101.75	2,747,250
(e) 3% Serial Notes due 1940-1945	1,195,000			100.00	1,195,000
(f) 2 3/4% Serial Notes due 1941-1944	750,000			100.00	750,000
(g) 2 1/2% Serial Notes due 1942-1946	1,350,000			100.00	1,350,000
Total Indicated Market Value					$30,224,572

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$2,141,912
Add: Interest	393,226
Amortization of Debt Discount and Expense	21,036
Total Earnings Available for Capital	$2,556,174

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 8.46%

Notes: (a) Listed on N. Y. Stock Exchange.
(b) Quotations from National Quotation Bureau.
(c) Prices estimated at call price. Privately sold December 15, 1938 to six institutions at 98 1/2.
(d) Prices estimated at call price. Privately sold June, 1940, to six institutions at 98 1/2.
(e) Prices estimated. Privately sold December, 1938, to a N.Y. Bank.
(f) Prices estimated. Privately sold February, 1940, to a N.Y. Bank.
(g) Prices estimated.

Exhibit 254

HOUSTON NATURAL GAS CORP.

	-------------------1 9 4 1-------------------				
	(b)Outstanding July 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	158,289 shs.	17 1/4	9	13.13	$2,078,335
(a) Pref. 7% ($50 par)	10,000 shs.	56 1/4	55 1/2	55.88	558,000
1st Mtge. S.F. 4s, 1955	$3,500,000	106	103	104.50	3,657,500
Total Indicated Market Value					$6,293,835

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended July 31, as reported	$575,387
Add: Bond Interest	143,302
Amortization of Bond Discount	11,062
Refunds to bondholders on account of taxes on bond interest, etc.	2,094
Total Earnings Available for Capital	$731,845

INVESTORS' APPRAISAL OF RISKS OF CAPITAL	11.63%

Notes: (a) Quotations from National Quotation Bureau.
(b) Fiscal year changed to end July 31.

Exhibit 254

INTERSTATE NATURAL GAS CO., INC.

	1941				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock (no par)	952,953 shs.	25	18	21.50	$20,488,490
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$2,049,129
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					10.00%

Notes: (a) Quotations from National Quotation Bureau.

Exhibit 254

LONE STAR GAS CORP.

	--------------------1 9 4 1--------------------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
Common Stock (no par)	5,504,875 shs.	10 1/8	6 1/2	8.31	$45,745,511
(a) Serial Notes, 2s, due to Aug. 1, 1950	$18,400,000			100.00	18,400,000
(a) Notes, 2 1/4s, due Feb. 1, 1951	4,150,000			100.00	4,150,000
Total Indicated Market Value					$68,295,511

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended December 31, as reported	$5,810,977
Add: Interest on Debentures	58,333
Interest on Bank Notes Payable	499,977
Amortization of Debt Discount, etc.	2,628
Taxes Assumed on Interest	12,339
Total Earnings Available for Capital	$6,384,254
INVESTORS' APPRAISAL OF RISKS OF CAPITAL	9.35%

Notes: (a) Prices Estimated. Sold privately on January 29, 1941 to eight commercial banks.

Exhibit 254

MEMPHIS NATURAL GAS COMPANY

	------------------1 9 4 1------------------				
	Outstanding Dec.31,1940 Adjusted for 1941 Financing	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($5 par)	918,680 shs.	5 1/8	3 1/2	4.31	$3,959,511
(b) Promissory Notes to Banks	$400,000			100.00	400,000
Total Indicated Market Value					$4,359,511

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, 1940, as reported	$636,710
Add: Interest Paid	53,756
Amortization of Debt Discount	11,387
Total Earnings Available for Capital	$701,853

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 16.10%

Notes: (a) Listed on New York Curb Exchange.
(b) Price estimated. On April 1, 1941, the collateral securing the promissory notes payable to banks was sold and the proceeds applied to the reduction of the notes, leaving the balance of $400,000 outstanding.

Exhibit 254

MONTANA-DAKOTA UTILITIES COMPANY

	---------- 1 9 4 1 ----------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
Common Stock ($10 par)	676,652 shs.	11 1/4	7 1/4	9.25	$6,259,031
(a) Cum. Pref. 6% ($100 par)	17,739 shs.	102 1/2	91 1/2	97.00	1,720,683
(a) Cum. Pref. 5% ($100 par)	59,593 shs.	95 3/4	82 1/2	89.13	5,311,524
1st Mtge. 3 1/2's, 1961	$7,500,000	108	102 7/8	105.44	7,908,000
1st Mtge. Serial 2 1/2's, 1942 to 1949	2,500,000	101	100	100.50	2,512,500
(b) Serial Notes 2 to 3 1/2, 1942 to 1950	3,510,000			100.00	3,510,000
(c) Serial Purchase Contracts	16,004			100.00	16,004
(c) 2 1/2% Purchase Money Notes, due 1943 to 1944	350,000			100.00	350,000
Total Indicated Market Value					$27,587,742

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$1,133,749
Add: Interest on Funded Debt	468,619
Interest on Serial Purchase Contracts (estimated at 6%)	960
Amortization of Debt Discount and Expense (net)	4,419
Total Earnings Available for Capital	$1,607,747

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.83%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price estimated. Sold privately in November-December, 1940, at $100, to five institutions.
(c) Price estimated.

Exhibit 254

MOUNTAIN FUEL SUPPLY COMPANY

	1941				
	Outstanding Dec.31,1940	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Capital Stock ($10 par)	1,989,902 shs.	6 1/4	4 1/8	5.19	$10,327,591

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, 1940, as reported	$950,069

INVESTORS' APPRAISAL OF RISKS OF CAPITAL	9.20%

Note: (a) Listed on Pittsburgh Exchange.

Exhibit 254

NATIONAL FUEL GAS COMPANY

	1941				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
Capital Stock (no par)	3,810,183 shs.	12 3/8	9 1/2	10.94	$41,683,402
EARNINGS AVAILABLE FOR CAPITAL					
Net Income for year ended December 31, as reported					$3,491,533
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					8.38%

Exhibit 254

NORTHERN NATURAL GAS COMPANY

	--------	1 9 4 1	--------		
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($20 par)	1,015,000 shs.	32 1/8	25	28.56	$28,988,400
(b) Bonds 1st 3 1/4's, A, due 1954	$16,000,000			104.00	16,640,000
(c) Bank Loan, 2 1/8%, due 1946	4,000,000			100.00	4,000,000
Total Indicated Market Value					$49,628,400

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$3,346,878
Add: Interest on Bonds	520,000
Interest on Bank Loan	93,854
Amortization of Debt Discount and Expense	9,131
Total Earnings Available for Capital	$3,969,863

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 8.00%

Notes: (a) Quotations from National Quotation Bureau.
(b) Price estimated at call price. Sold privately in August, 1939, at par, to five insurance companies.
(c) Price estimated.

Exhibit 254

OKLAHOMA NATURAL GAS COMPANY

	----------1 9 4 1----------				
	Outstanding August 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($15 par)	550,000 shs.	21 3/4	15	18.38	$10,109,000
(a) Prior Pfd. Conv. $5.50 (no par)	58,000 shs.	116 1/2	107 1/2	112.00	6,496,000
(a) Pfd. $3 Cum. ($50 par)	91,055 shs.	54	47 1/4	50.63	4,610,115
1st Mtge. Series B, 3 3/4's, 1955	$16,700,000	109	105	107.00	17,869,000
(b) 1st Mtge. Series C, 3's, 1956	4,500,000			100.00	4,500,000
(c) Bank Loans, 2 3/4, Serially to 1946	5,500,000			100.00	5,500,000
Total Indicated Market Value					$49,084,115

EARNINGS AVAILABLE FOR CAPITAL	
Net Income for year ended August 31, as reported	$2,479,844
Deduct: Amortization of Bond Premium	9,670
	2,470,174
Add: Interest on Funded Debt	794,325
Total Earnings Available for Capital	$3,264,499
INVESTORS' APPRAISAL OF RISKS OF CAPITAL	6.65%

Notes: (a) Listed on New York Curb Exchange.
(b) Price estimated. These bonds were sold and the proceeds used to acquire the gas properties of Central States Power & Light Corporation, effective July 31, 1941. The properties acquired had annual gross earnings of approximately $1,300,000, but only one month's income is included in earnings for the twelve months ended August 31, 1941.
(c) Price estimated.

Exhibit 254

PACIFIC LIGHTING CORPORATION

	1 9 4 1				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock	1,608,631 shs.	40	26 1/8	33.06	$53,181,341
(b) $5 Preferred	200,000 shs.	107 3/4	94 1/2	101.13	20,226,000
(c) Long Term Bank Loans, 3%, 1941-49	$5,500,000			100.00	5,500,000
(d) So. Cal. Gas Co. 6% Pfd. ($25 par)	895,789 shs.	33 3/4	29	31.36	28,091,943
So. Cal. Gas Co. 1st Mtge. 3 1/4's, 1970	$35,000,000	109	103 1/2	106.25	37,187,500
(e) So. Counties Gas Co. of Cal. 1st 3's, 1971	11,500,000	106 1/4	99	102.63	11,802,450
Total Indicated Market Value					$155,989,234

EARNINGS AVAILABLE FOR CAPITAL

Net Income for year ended December 31, as reported	$7,727,859
Add: Interest on Funded Debt	1,595,090
	9,322,949
Deduct: Dividends on Subsidiary Common Stock	117
Total Earnings Available for Capital	$9,322,832

INVESTORS' APPRAISAL OF RISKS OF CAPITAL 5.98%

Notes: (a) Listed on New York Stock Exchange.
(b) Listed on San Francisco Stock Exchange.
(c) Prices estimated.
(d) Listed on Los Angeles Exchange.
(e) Issued in January, 1941, the proceeds of which were used to redeem the 4 1/2's of 1968.

Exhibit 254

PANHANDLE EASTERN PIPE LINE COMPANY

	----------1 9 4 1----------				
	Outstanding December 31	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock (no par)	[illegible] shs.	41 3/4	30	[illegible]	$[illegible]
Pref. $6 cum. (no par):					
(b) Class A part. and redeemable	100,000 shs.			100.00	10,000,000
(b) Class B non-part. and non-redeemable	10,000 shs.			100.00	1,000,000
1st Mtge. & 1st Lien S.F. "B" 3s, 1960	$12,000,000	104 1/4	[illegible]	[illegible]	[illegible]
(c) 1st Mtge. & Trust Lien "A" [illegible], 1946-50	[illegible]			100.00	[illegible]
(c) Serial Notes A, B, C & D, [illegible], due 11/1/42-45	[illegible]			100.00	[illegible]
(d) Other Long-Term Debt	[illegible]			100.00	[illegible]
Total Indicated Market Value					$[illegible]

EARNINGS AVAILABLE FOR CAPITAL

Net Income for 12 months ended December 31, as reported	$[illegible]
Add: Interest on Funded Debt	[illegible]
Amortization of Debt Discount and Expense	[illegible]
Total Earnings Available for Capital	$[illegible]

INDICATED APPRAISAL OF [illegible] OF CAPITAL [illegible]

Notes: (a) Quotations from National Quotation Bureau.
(b) Prices estimated. Amounts used are the prices at which redemption of the stocks is contemplated.
(c) Prices estimated. Sold privately in January, 1941 at 100 to several banking institutions and one insurance company.
(d) Prices estimated.

Exhibit 254

SOUTHERN NATURAL GAS COMPANY

	1941 Outstanding Sept.30,1941	Price Range for Year High	Low	Average	Value
INDICATED MARKET VALUE OF CAPITAL					
(a) Common Stock ($7.50 par)	1,409,212 shs.	13 1/2	10	11.75	$16,558,241
1st Mtge. Pipe Line S.F. 3 1/4's, 1956	$13,000,000	107	103	105.00	13,650,000
(b) Serial Notes 2 1/2's, 1942 to 1947	4,500,000			100.00	4,500,000
Alabama Gas Co. 1st Mtge. 4 1/2's, 1951	1,351,000	105	101	103.00	1,391,530
(c) Alabama Natural Gas Corp. City of Talladega 5's, 1947	40,000			100.00	40,000
Total Indicated Market Value					$36,139,771
EARNINGS AVAILABLE FOR CAPITAL					
(d) Net Income for year ended Sept. 30, 1941, as reported					$2,439,711
Add: Interest on Funded Debt					1,000,406
Amortization of Debt Discount and Expense					55,853
Total Earnings Available for Capital					$3,495,970
INVESTORS' APPRAISAL OF RISKS OF CAPITAL					9.67%

Notes:
(a) Listed on New York Stock Exchange.
(b) Prices estimated. Sold privately in May, 1941, to four banking institutions.
(c) Price estimated.
(d) Excludes net income of $700,000 arising from non-recurring tax savings due to refunding.

[fol. 16582] (Exhibit 255.)

Panhandle Eastern Pipe Line Company
1221 Baltimore Ave.
Kansas City, Mo.

April 11, 1942

Mr. Park Chamberlain
815 15th Street, N. W.
Washington, D. C.

Dear Mr. Chamberlain:

In accordance with your request during my cross-examination at the recent hearing in Washington, D. C. on April 2nd, I have checked the calculations on your work sheet comparing demand charges 1941 and 1942 and have noted my agreement with the calculations thereon. There is also attached a tabulation showing our calculation of charges and payments for the fiscal years as well as the calendar years. From a study of these figures I think we can agree that:

(1) Demand charges for either the calendar or fiscal years 1942 will be greater than those of the previous year,

(2) Charges and payments will be less under the original contract than under the supplemental contract for the ensuing fiscal year,

(3) Charges and payments will be less under the original contract than had been assumed by me in the preparation of Exhibit 161.

We were unable to check the figure \$4,497,920.16 which you introduced (Page 9440, et seq.). Our figure for this is \$4,408,613.32, however, it is not felt that this is important since the difference will not affect the conclusions.

The letter referring to the 150 million cubic feet, requested by your company, was the one written by Mr. Batten to us under date of May 28, 1941.

I am returning your work sheet above mentioned and photostatic copy of the January bill which I inadvertently picked up when on the witness stand.

Yours very truly,

O. W. MORTON.

E:OWM:rd
Enc.

[fol. 16583]

Comparative Statement
Of Demand Charges Under Original And Supplemental Contracts
Panhandle Eastern Pipe Line Company And
Michigan Consolidated Gas Company For Detroit

Demand Charges

	Supplemental		Original and Supplemental	
	Therms	Amount	Therms	Amount
January 1941	1 102 089	$ 418 793 82		
February	1 126 047	427 897 86		
March	1 026 109	389 921 42		
April	911 089	346 213 82		
May	811 487	308 365 06		
June	753 915	286 487 70		
July	742 309	282 077 42		
August	748 481	284 422 78		
September	770 281	292 706 78		
October	892 009	338 963 42		
November	1 054 611	400 752 18		
December	1 162 437	441 726 06		
Total 1941	11 100 864	$4 218 328 32		
January 1942	1 223 725	$ 465 015 50	1 223 725	$ 465 015 50
February	1 333 965	506 906 70	1 333 965	506 906 70
March	1 197 305	454 975 90	1 197 305	454 975 90
Total 12 Months (Fiscal)	(11 601 614)	(4 408 613 32)		
April	1 122 823	426 672 74	1 110 161	421 861 18
May	1 023 221	388 823 98	1 110 161	421 861 18
June	965 649	366 946 62	1 110 161	421 861 18
July	954 043	362 536 34	1 110 161	421 861 18
August	960 215	364 881 70	1 110 161	421 861 18
September	982 015	373 165 70	1 110 161	421 861 18
October	1 103 743	419 422 34	1 110 161	421 861 18
November	1 266 345	481 211 10	1 110 161	421 861 18
December	1 374 171	522 184 98	1 110 161	421 861 18
Total 1942	13 507 220	$5 132 743 60		$5 223 648 72
January 1943	1 435 459	545 474 42	1 110 161	421 861 18
February	1 545 699	587 365 62	1 110 161	421 861 18
March	1 409 039	535 434 82	1 110 161	421 861 18
Total 12 Months (Fiscal)	14 142 422	$5 374 120 33	13 321 932	$5 062 334 16

Note: Prior to March 1942 all figures are actual.
Subsequent to February 1942 all figures on Original Contract basis are based on Actual Maximum Day Demand and all figures on Supplemental Contract basis are based on Actual Base Load Maximum Demand plus househeating for 25,000 customers estimated same as corresponding month of previous year.

OWM

4-8-42

[fol. 16584]

Calendar Years

239635962
119817981

759453943

1941

N. G. purchased 239,635,962 therms for $7,812,868
commodity chge 239,635,962 " @ 1 1/2¢ 3,594,539

Demand Chge $4,218,329

1942

Demand charge —
Jan. — Mar. — Supple. Cont.
Base load demand established
3-18-41 742,309 therms
38

5938472
2226927

282,077 per mo.
3

846,231 $846,231

Househeating demand
Jan. 240,708 x 2 x 38¢ = 182,938
Feb. 295,828 x 2 x 38 = 224,829
25,000 Mar. use Mar. 1942.
H. H. customers 227,498 x 2 x 38 = 172,898 1,426,896

Apr. — Dec. — org. contract
Org. max. demand 1,110,161 therms
38

$421,861 per mo.
9

3,796,749

$5,223,645

Difference 1,005,316

Note: This correctly shows difference in demand charges — Calendar Year 1941 & Calendar Year 1942-43 assuming March 1942 equal Mar. 1941 since March 1942 figures not available at this time.

4-2-42

O. W. Morton 4/6/42

[fol. 16585] (Exhibit 256.)

New York, N. Y.
September 19, 1930.

Columbia Oil & Gasoline Corporation,
New York City.

National City Co., New York City.

Dear Sirs:

Referring to agreement between you and ourselves, dated September 17, 1930, it is understood and agreed between us as follows:

(1) The reimbursement to Missouri-Kansas Pipe Line Co. by the Panhandle Co. provided for in article IV, paragraph (c) of said agreement, shall be made on the closing date under said agreement.

(2) The City Co. agrees that the credit of three million dollars ($3,000,000) referred to in article VI, paragraph (b) (1) of said agreement, to be arranged by the City Co. from the National City Bank, effective at once, shall be to Missouri-Kansas Pipe Line Co., guaranteed by the Panhandle Co.

(3) We agree to pay off the credit referred to in (2) hereof and to clear the Panhandle Co. of any contingent liability arising from its guaranty referred to in ~~(2)~~ hereof on or before the closing date under said agreement.

(4) The words "closing date under said agreement", as used herein, shall be deemed to mean the date named in article X of said agreement as the closing date thereunder or any date to which said closing date shall be extended by mutual agreement of the parties to said agreement.

Our signature to this letter and your confirmation at the foot thereof will constitute a binding agreement between us to the above effect.

Yours very truly,

MISSOURI-KANSAS PIPE LINE CO.,
By Frank P. Parish, President.

Confirmed:

COLUMBIA OIL & GASOLINE CORPORATION,
By E. Reynolds, Jr., Vice President.

THE NATIONAL CITY CO.,
By Stanley A. Russell,
Vice President.

[fol. 16586] Contract, this 17th day of September 1930, between Missouri-Kansas Pipe Line Co. (hereinafter referred to as "Pipe Line Co."), party of the first part, the National City Co. (hereinafter referred to as "City Co."), party of the second part, and Columbia Oil & Gasoline Corporation (hereinafter referred to as "Columbia"), party of the third part.

I. The Pipe Line Co. represents to the City Co. and to Columbia as follows:

(a) The Pipe Line Co. is a corporation duly organized and existing under the laws of the State of Delaware, with an authorized capital stock consisting of 5,000,000 shares of common stock of the par value of $5 each and 5,000,000 shares of class B stock of the par value of $1 each. Of the said stock, 1,065,452 shares of common stock (exclusive of dividend scrip) and no more are now outstanding, and 1,598,918 shares of class B stock and no more have been issued and are now deposited under a voting trust agreement. The Pipe Line Co. has no stock of any class, except as above set forth and has no funded indebtedness.

(b) Panhandle Eastern Pipe Line Co (hereinafter referred to as "Panhandle Co.") is a corporation duly organized and existing under the laws of the State of Delaware, having a total authorized share capital consisting of 15,000 shares of preferred stock of the par value of $100 a share, and 10,000 shares of common stock, without par value, all of which preferred stock has heretofore been issued but has since been retired, and all of which common stock is now issued and outstanding and owned by the Pipe Line Co. No options or rights to purchase any of the said stock are now outstanding. All the outstanding indebtedness of the Panhandle Co., except indebtedness for current construction and material costs, has leases and

the like, is owned by the Pipe Line Co., and represents in general advances made to the Panhandle Co. by the Pipe Line Co. for the acquisition and construction of its properties.

(c) The Panhandle Co. has been organized for the purpose of building and operating a gas pipe line from the Panhandle district of the State of Texas to the Indiana-Illinois State line, through the States of Texas, Oklahoma, Kansas, Missouri, and Illinois, with lateral lines. It or its wholly owned subsidiaries, Texas Interstate Pipe Line Co. and/or Panhandle Eastern Pipe Line Co. of Illinois, have acquired the right-of-way for a substantial part of approximately 350 miles, out of a total of approximately 930 miles of the said pipe line and have constructed approximately 200 miles of the pipe line. The said pipe line has and will be constructed of 22-inch pipe from the point of beginning in Moore County, Tex., to Liberal, Kans., of 24-inch pipe from Liberal, Kans., to a point near the Missouri State line, of 22-inch pipe from the Missouri State line to the Peoria branch, and of 20-inch pipe from the said Peoria branch to the Indiana-Illinois State line. Copies of the contracts for the construction of the pipe line, initialed for identification, will be furnished by the officer of the Pipe Line Co. signing this contract.

(d) In addition to the pipe-line property above described, the Panhandle Co., through its said subsidiary, Texas Interstate Pipe Line Co., controls approximately 138,000 acres of natural gas producing lands.

(e) The Pipe Line Co. directly and/or through 100-percent stock ownership in the Missouri-Kansas Gas Co. and Central States Gas Utilities Co. (an Illinois corporation), and/or through a 51-percent stock ownership in J. D. Judd & Co. (A Delaware corporation), and Shale Gas Corporation (a Delaware corporation) owns natural-gas properties including leases or gas purchase contracts in the [fol. 16587] States of Missouri and Kansas, and a system of pipe lines for the supplying of natural gas to the following cities and towns: Kansas City, Mo. (wholesale delivery to American Pipe Line Co.); Independence, Mo.; Belton, Mo.; Loose Springs, Mo.; Morton City, Mo.; Ray-

town, Mo.; Paola, Kans.; Osawatamie, Kans.; Rantoul, Kans.; Imes, Kans.; Greeley, Kans.; Lewisburg, Kans.; Lane, Kans.; Chanute, Kans.

(f) The net asset position of the Panhandle Co. and its subsidiary companies and of the subsidiary companies mentioned in paragraph (e) above (except for inter-company transfers) shall not be substantially less favorable at the closing date than as shown on the pro forma consolidating balance sheet prepared by Arthur Andersen & Co., certified public accountants, as of June 30, 1930. No dividend or other distribution of assets shall be made by the Panhandle Co. or any of the above subsidiary companies pending the closing date.

II. The City Co. represents to the Pipe Line Co. and Columbia that it is a corporation duly organized and existing under the laws of the State of New York and has full corporate power to enter into this contract and to perform its obligations thereunder.

III. Columbia represents to the Pipe Line Co. and the City Co. that it is a corporation duly organized and existing under the laws of the State of Delaware, with an authorized capital stock consisting of 3,175,000 shares of which shares all of the preferred shares are owned by the Columbia Gas & Electric Corporation and all of the common stock is deposited in a voting trust of which P. G. Gossler and G. W. Crawford are the voting trustees. Columbia represents that its net worth is over $35,000,000.

IV. The Pipe Line Co. agrees with the parties hereto as follows:

(a) That it will transfer to the Panhandle Co. all of the natural-gas fields, gas contracts, pipe lines, distributing systems, etc., which it owns wherever located, except those located in Kentucky or southern Indiana, and its stock ownership in all corporations which may own similar property located in the same territory.

(b) That it will sell and deliver to Columbia, 5,000 shares of common stock of the Panhandle Co. (being one-half of its total stock outstanding) at the price per share determined as provided in article VIII hereof.

(c) That it will on or before the closing date pay, without recourse to the original debtor or obliger, all the debts and obligations of the Panhandle Co. and of its subsidiaries, and of the other corporations the stock of which is to be transferred under paragraph (a) of this Article, existing on August 31, 1930, as determined by Arthur Andersen & Co., certified public accountants, and that the Pipe Line Co. will cancel any debt or obligation to it of the Panhandle Co., or if its subsidiaries or of any of said corporations referred to in this paragraph (c) as of August 31, 1930. The Panhandle Co. will reimburse the Pipe Line Co. with interest at the rate of 6 percent per annum from the date of such advances to the date of reimbursement for any amounts advanced by the Pipe Line Co. subsequently to corporations the stock of which is to be transferred under paragraph (a) of this article or for account of the properties other than stock, owned directly by it and to be transferred to Panhandle Co. under paragraph (a) of this article IV, other than amounts advanced for the purpose of paying debts or obligations existing on said date as provided heretofore in this paragraph.

[fol. 16588] (d) From time to time as requested by Columbia on or prior to March 15, 1931, the Pipe Line Co. will sell to Columbia all or any part of 2,000 shares of common stock of the Panhandle Co. (said 2,000 shares being 20 percent of its total outstanding stock) at the same price per share as is determined for the purchase by Columbia of the original 5,000 shares of stock of Panhandle Co.

(e) The Pipe Line Co. either directly or through its present and/or future subsidiaries will enter into gas purchase contracts with the Panhandle Co. upon substantially the following terms;

(1) An excess capacity contract for the purchase up to 20,000,000 cubic feet of gas per day at 18 cents per M cubic feet, without limit as to time so long as the Panhandle Co. has any excess capacity; provided, that if the Panhandle Co. can sell all or any gas at a higher price it may reduce proportionately deliveries under this excess capacity contract.

(2) Firm contract, commencing when the Panhandle Co. gives notice to the Pipe Line Co. and Columbia that it

no longer has any excess capacity, for 10 years and thereafter with right of cancellation by either party on 1 year's notice, at the rate of 26½ cents per M cubic feet, deliveries under such contract to be as required by the Pipe Line Co. and to aggregate for each year an amount producing at least a 70 percent annual load factor based on the maximum daily delivery, which maximum shall in no case exceed 20,000,000 cubic feet per day, and after the expiration of 1 year from the effective date of this firm contract such maximum day shall not exceed the maximum day established during said first year.

(f) The Pipe Line Co. will cause the Panhandle Co., pursuant to due corporate action, to create an issue of $20,000,000, aggregate principal amount, of bonds substantially in accordance with schedule A hereto attached.

(g) The Pipe Line Co. will deliver to or on the order of the City Co. 200,000 shares of the Pipe Line Co.'s common stock as presently constituted as consideration for the purchase of the bonds and the arranging of the credits hereinafter in article VI provided for and will cause the Panhandle Co. to sell and deliver to the City Co. the entire issue of $20,000,000 aggregate principal amount, of bonds, above described in schedule A, for the purchase price paid to the Panhandle Co. of $18,000,000, plus accrued interest on the said $20,000,000, aggregate principal amount, of bonds from October 1, 1930, to the date of delivery, and to pay the usual expenses in connection with such financing.

V. Columbia agrees with parties hereto as follows:

(a) That it will purchase the said 5,000 shares of stock of Panhandle and pay therefor the price per share determined as provided in article VIII hereof.

(b) That it will not exercise its right to acquire any of the 2,000 shares of stock of Panhandle referred to in paragraph (d) of article IV hereof unless simultaneously therewith it shall have contracted to sell to one or more oil, gas, or utility companies the stock so to be acquired by Columbia from the Pipe Line Co. and an equal amount of similar stock then owned by Columbia, and unless Columbia and the Pipe Line Co. have agreed otherwise, as a part of the contract the purchaser has agreed to contribute its pro

rata share of any additional financing referred to in article VII, paragraph (a).

[fol. 16589] (c) That it will cause the Columbia Gas & Electric Corporation, either directly or through its present and/or future subsidiaries, to enter into gas-purchase contracts with the Panhandle Co. at or near the Indiana-Illinois State line upon substantially the following terms:

(1) An excess-capacity contract for the purchase up to 20,000,000 cubic feet of gas per day at 18 cents per M cubic feet, without limit as to time so long as the Panhandle Co. has any excess capacity, provided that if the Panhandle Co. can sell all or any gas at a higher price it may reduce proportionately deliveries under this excess-capacity contract.

(2) Firm contract, commencing when the Panhandle Co. gives notice to the Pipe Line Co. and Columbia that it no longer has any excess capacity, for 10 years and thereafter with right of cancellation by either party on 1 year's notice, at the rate of 26½ cents per M cubic feet, deliveries under such contract to be as required by Columbia and to aggregate for each year an amount producing at least a 70-percent annual load factor based on the maximum daily delivery, which maximum shall in no case exceed 30,000,000 cubic feet per day, and after the expiration of 1 year from the effective date of this firm contract such maximum day shall not exceed the maximum day established during said first year.

VI. The City Co. agrees with the parties hereto:

(a) That it will purchase the said bonds described in paragraph (f) of article IV and will pay the purchase price therefor on the closing date.

(b). That it will arrange a credit from the National City Bank of New York to the Panhandle Co. of—

(1) $3,000,000, effective at once and running until the closing date in this agreement;

(2) $5,000,000, given on or before October 10, 1930, and running until 30 days after said closing date, provided, that the Panhandle Co. will apply out of the proceeds from the sale of its bonds so much as it may draw down for September construction to the earlier repayments of such credit;

(3) From time to time, so long as any of the proceeds from the sale of said bonds remain in escrow with the trustee, on or before the 10th day of any month, an amount substantially equivalent to the cash which during that month the Panhandle Co. may be entitled to withdraw from escrow for expenditures made by it in the previous month.

VII. The Pipe Line Co. and the Columbia agree with the parties hereto:

(a) That they will, subject to the provisions of article V, paragraph (b) hereof, advance to the Panhandle Co. in equal amounts all cash in excess of that expended or for which liabilities as determined by Arthur Andersen & Co. existed, on August 31, 1930, and of the proceeds of the bond issue, necessary to complete the pipe line under construction from Texas to the Indiana-Illinois State line and take therefor notes and common stock in the ratio of $90 in notes and $10 in two shares of common stock as presently constituted, provided that the notes shall be specifically subordinated to the bonds and shall mature at a date later than the maturity of the bonds.

[fol. 16590] (b) In the event the total cost of the completion of the pipe line heretofore in this article VII referred to is less than $40,000,000, then the Panhandle Co. will deposit with the trustee for the bonds the difference between $40,000,000 and such total cost. Such deposit may be withdrawn from time to time by the Panhandle Co. for 100 percent of capital expenditure subsequently made or such deposit shall be returned to the Panhandle Co. from time to time upon cancelation or redemption of bonds (other than out of sinking-fund moneys) in amounts equal to 200 percent of the principal amount of bonds so canceled or redeemed. In the event such total cost is in excess of $40,000,000, then the Panhandle Co. shall be entitled to have additional bonds delivered to it equal in principal amount to 50 percent of such excess.

(c) That they will cause the Panhandle Co. to put the pipe line into commercial operation as soon as practical after completion and to operate the same at its highest possible efficiency.

VIII. The price per share for the stock of Panhandle to be sold by the Pipe Line Co. and to be purchased by

Columbia under the provisions of this contract shall be ascertained as follows: There shall be determined by Arthur Andersen & Co., the actual cash investment as of August 31, 1930, of the Pipe Line Co. system in the Panhandle Co. and the Panhandle's subsidiary companies as those subsidiaries now exist, such cash investment to be the actual original cash cost to the Pipe Line Co. system, plus interest thereon during construction at the rate of 6 percent per annum, and such cash cost to include the payments made for engineering services by others than companies affiliated with the Pipe Line Co. system, legal expenses, taxes during construction, organization costs, cost of franchises and the $631,000 expended by the Panhandle Co. for gas sale or gas purchase contracts. To such aggregate cash investment shall be added the debts and obligations existing of the Panhandle Co. and its subsidiaries on August 31, 1930, to be paid by the Pipe Line Co. as per article IV paragraph (c) above (these debts and obligations not to include those of the subsidiaries of the Pipe Line Co. whose stock is to be transferred to the Panhandle Co. as per said article IV paragraph (c)). To the sum so ascertained shall be added $7,333,000. The price per share of Panhandle stock shall be obtained by dividing the total sum by 10,000 and adding interest on said price at the rate of 6 percent per annum from August 31, 1930, to the date of payment for each share of stock.

IX. The parties hereto agree that the certificate of incorporation of Panhandle Co. will be amended to restore to the common stock of that company a preemptive right in respect to any further issue of voting stock.

X. The parties hereto agree that delivery and payment for shares of stock and bonds heretofore provided for in paragraph (a) of article V and paragraph (a) of article VI shall be made at the corporate trust department of the City Bank Farmers Trust Co., 52 Wall Street, Borough of Manhattan, city and State of New York, on October 7, 1930, between the hours of 10 a. m. and 12 noon, on that day, which date is sometimes heretofore called the "closing date."

XI. This contract is entered into by the City Co. upon the following conditions:

[fol. 16591] "(a) The legality of the issue of the bonds of the Panhandle Co., referred to in article IV hereof, the title of the Panhandle Co. to its properties, the legality and sufficiency of any and all franchises necessary for their present operations and for operations presently contemplated, and all other legal details in connection with the execution of this contract shall be subject to approval of counsel for the City Co.

"(b) In case Columbia shall for any reason fail to purchase the stock of the Panhandle Co. then the City Co. shall, at its option, have the right to withdraw from this contract and to be relieved from any and all obligation hereunder, upon giving to the Pipe Line Co. notice of exercise of its said option."

XII. Anything herein to the contrary notwithstanding should the City Co. for any reason fail to perform its obligations under this contract, the obligation of Columbia and the Pipe Line Co. hereunder shall continue, in which event Columbia and the Pipe Line Co. will, subject to the provisions of article V, paragraph (b) hereof, advance to the Panhandle Co. in equal amounts all cash in excess of that expended or for which liabilities as determined by Arthur Andersen & Co. existed on August 31, 1930, necessary to complete the pipe line under construction from Texas to the Indiana-Illinois State line and take therefor notes and common stock in the ratio of $90 in notes and $10 in two shares of common stock as presently constituted, provided that the notes shall be specifically subordinated to the bonds and shall mature at a date later than the maturity of the bonds.

XIII. The Pipe Line Co. will cause the Panhandle Co. to deliver to the City Co. a letter signed by the president of the Panhandle Co. descriptive of its properties and the project and of the bonds in reasonable detail and in form satisfactory to the City Co. Columbia will cooperate in the preparation of such letter. From time to time the Pipe Line Co. and Columbia will cause the Panhandle Co. to furnish the City Co. with quarterly statements of operations and balance sheet in reasonable detail.

XIV. If within 15 days after written notice that payment will be required by the Panhandle Co. for the comple-

tion of its pipe line, either Columbia or the Pipe Line Co. shall fail to provide their share of the necessary funds required as provided in article VII, paragraph (a), or in article XII hereof, the party not in default may itself provide such funds and shall be entitled to receive from the Panhandle Co. therefor the same securities as would have been given to the other party so in default if it had made the advance and the right of the party in default to proceed further with such financing shall terminate.

In witness whereof, the parties hereto have executed this contract by their duly authorized officers, the day and year first above written.

MISSOURI-KANSAS PIPE LINE CO.,
By Frank P. Parish, President.

THE NATIONAL CITY CO.,
By Stanley A. Russell, Vice President.

COLUMBIA OIL & GASOLINE CORPORATION,
By Philip G. Gossler, President.

[fol. 16592] Schedule A.—Panhandle-Eastern Pipe Line Bonds

Security.—First mortgage on all fixed property of company except so-called "operating properties" around Kansas City—term 20 years—open and in amount provided that bonds, in addition to the initial amount of series A, may be issued from time to time of the same or different series.

(a) To the extent of 50 percent of the cash cost or fair value of property constructed or acquired and subject to the lien of the first mortgage in excess of the first $40,000,000 expended upon said mortgaged properties, and,

(b) For issuance of bonds subsequent to October 1, 1933, if net earnings, after all operating expenses, deple-

tion, and depreciation charges, for 12 months out of the 15 months immediately preceding the date of issue of additional bonds, shall have been in each case, at least twice the total annual interest charges on the amount of bonds outstanding and proposed to be issued.

Initial issue.—$20,000,000, principal amount, series A bonds, to be dated October 1, 1930, and to mature October 1, 1950, with interest at the rate of 6 percent per annum payable semiannually, in the usual denominations and with the usual provisions regarding taxes, namely, that the company shall pay the normal Federal income tax of 2 percent and Pennsylvania, Connecticut, Maryland, and California security or personal property taxes, and Massachusetts and Wisconsin income taxes, not exceeding 6 percent. Bonds to be redeemable during the first 15 years of their life at 105 and thereafter at a premium decreasing 1 percent for each year.

Disposition of proceeds.—Proceeds of original issue of bonds to be left with trustee and drawn down to the extent of 100 percent of the cash cost or fair value of property constructed or acquired after August 31, 1930, and subject to the lien of the first mortgage.

Sinking fund.—Beginning April 1, 1933, and semiannually thereafter, the company shall retire either by purchase or redemption on each semiannual interest date $300,000, principal amount of bonds of series A. As an additional sinking fund in any year in which the company pays cash dividends aggregating in excess of $1,000,000, a sum in cash equivalent to the excess dividends so paid shall be utilized in the purchase or redemption of bonds.

Retirement covenant.—All of the series A bonds shall be retired by redemption or purchase through the sinking fund in the event there is any permanent retirement of the investment made or to be made by the common stock interests in the company represented by stock or subordinated notes.

[fol. 16593] New York, N. Y., September 30, 1930.

It is agreed that the closing date mentioned in a certain contract between the undersigned, dated September 17, 1930, be extended to October 14, 1930.

MISSOURI-KANSAS PIPE LINE CO.,
By Frank P. Parish, President.

THE NATIONAL CITY CO.,
By J. P. Ripley, Vice President.

COLUMBIA OIL & GASOLINE CORPORATION,
By P. G. Gossler, President.

New York, N. Y., October 8, 1930.

It is agreed that the closing date mentioned in a certain contract between the undersigned, dated September 17, 1930, which has been extended to October 14, 1930, be further extended to October 22, 1930.

MISSOURI-KANSAS PIPE LINE CO.,
By Frank P. Parish, President.

THE NATIONAL CITY CO.,
By J. P. Ripley, Vice President.

COLUMBIA OIL & GASOLINE CORPORATION,
E. Reynolds, Jr., Vice President.

Memorandum of agreement dated October 23, 1930, between Columbia Oil & Gasoline Corporation (hereinafter called the "Oil Co."), Missouri-Kansas Pipe Line Co. (hereinafter called "Missouri-Kansas"), and the National City Co. (hereinafter called the "City Co.").

The parties hereto have executed a contract under date of September 17, 1930 (hereinafter called the "contract"), as amended by subsequent agreements. Said contracts in article VIII thereof provides for the method in which the

price per share of stock of the Panhandle Eastern Pipe Line Co. (hereinafter called "Panhandle"), to be purchased by the Oil Co. under the provisions of the contract, shall be ascertained.

First. In adjustment of a dispute existing between the parties as to the amount required to be paid by the Oil Co., under the contract for said shares of Panhandle stock, it is agreed that the computation of the purchase price per share of Panhandle stock to be purchased by Columbia is to be computed exactly as set out in article VIII of the contract, except that the figure of $7,333,000 [fol. 16594] therein mentioned shall be reduced to $6,453,000 and the computation of interest therein provided for shall be correspondingly adjusted. The purchase price per share of Panhandle's stock to be paid by Columbia as of the date hereof, before calculating interest from August 31, 1930, is accordingly $1,938.58⅔.

Second. The book value of the property to be transferred by Missouri-Kansas to Panhandle, according to article IV (a) of the contract shall be not less at the closing date than on August 31, 1930 with revaluation of any of the items. Under date of October 22, 1930, Arthur Andersen Co. advised Columbia and Missouri-Kansas that the book value of the items referred to, exclusive of investments, was as follows:

Particulars—August 31, 1930

Book value of assets to be transferred by Missouri-Kansas Pipe Line Co. to Panhandle Eastern Pipe Line Co. (paragraph (a) article IV):

Gas purchase and sales contracts, stated at valuation determined by Messrs. Brokaw, Dixon, Gerner & McKee, geologists and petroleum engineers, and approved by board of directors	$1,106,250.00
Pipe lines, compressors, etc., exclusive of Kentucky division properties	2,417,948.52
Prepaid accounts	3,565.19
Materials and supplies at book values	46,140.41

They further state, with reference thereto, as follows: "The book value of the properties located in Kentucky and Southern Indiana have been determined as accurately as was possible in the time available. As noted above, the book value of the Kentucky division properties has been excluded in the foregoing tabulation at both dates."

Third. The rights and obligations of the parties under the said contract of September 17, 1930, as heretofore and hereby amended, are in full force and effect, notwithstanding the failure of the parties to close the transaction covered thereby on October 22, 1930. The date of October 23, 1930, is the closing date.

Witness the signatures of the above parties.

COLUMBIA OIL & GASOLINE CORPORATION,
By E. Reynolds, Jr., Vice President.

MISSOURI-KANSAS PIPE LINE CO.,
By Frank P. Parish, President.

THE NATIONAL CITY CO.,
By J. P. Ripley, President.

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fol. 16595] (Exhibit 257.)

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Reconcilement Of Net Income Per Books
With Estimated Excess-Profits Net Income For The Year 1941
As Shown On Line 1, Page 1, Column (C) Of Exhibit 202

Panhandle Eastern Pipe Line Company

Line No.	(A)	(B)	(C)
1	Net income per books for the year 1941		$4 689 242
2	Additions:		
3	Provision for Federal income tax	$1 791 107	
4	Provision for Federal excess-profits tax	1 582 775	
5	Provision for injuries and damages	12 000	
6	Provision for uncollectible accounts	7 200	
7	Excess of book provision for amortization		
8	of unoperated leaseholds over deduction		
9	claimed	5 324	3 398 406
10			8 087 648

Line No.	(A)	(B)	(C)
11	Deductions:		
12	Excess of deduction claimed for deprecia-		
13	tion over book provision	166 657	
14	Excess of deduction claimed for depletion		
15	over book provision	201 316	
16	Excess of deduction claimed for amortiza-		
17	tion of debt discount and expense over		
18	book provision	86 408	
19	Cost of acidizing gas wells capitalized	8 700	
20	Productive well drilling costs capitalized	34 150	
21	Property removal costs	12 000	
22	Unrecovered cost of extraordinary retire-		
23	ment	85 600	
24	Interest expense capitalized	11 775	
25	Amortization of Creve Couer line exten-		
26	sion costs	3 042	
27	Regulatory commission investigation expense		
28	deferred on books	128 000	737 648
29	Estimated excess-profits net income as		
30	shown on Line 1, Page 1, Column (C) of		
31	Exhibit 202		$7 350 000

[fol. 16596]

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Reconcilement Of Net Income Per Books
With Estimated Excess-Profits Net Income For The Year 1941
As Shown On Line 1, Page 1, Column (F) Of Exhibit 202

Illinois Natural Gas Company

Line No.	(A)	(B)	(C)
1	Net income per books for the year 1941		$115 251
2	Additions:		
3	Provision for Federal income tax	$40 000	
4	Provision for injuries and damages	3 600	
5	Provision for uncollectible accounts	3 600	47 200
6			162 451
7	Deductions:		
8	Excess of deduction claimed for depreciation		
9	over book provision	33 074	
10	Social security taxes capitalized	789	
11	Property removal costs	129	
12	Federal capital stock tax adjustment	459	34 451
13	Estimated excess-profits net income as shown		
14	on Line 1, Page 1, Column (F) of Exhibit 202		$128 000

[fol. 16597]

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Reconcilement Of Net Income Per Books
With Estimated Excess-Profits Net Income For The Year 1941
As Shown On Line 1, Page 1, Column (J) Of Exhibit 202

Michigan Gas Transmission Corporation

Line No.	(A)	(B)	(C)
1	Net income per books for the year 1941		$509 899
2	Additions:		
3	Provision for Federal income tax	$222 708	
4	Provision for Federal excess-profits tax	91 757	
5	Injuries and damages reserved	7 451	
6	Contingent interest expense reserved	12 769	
7	Cost of obtaining contracts expensed on books	7 353	342 038
8			851 937
9	Deductions:		
10	Interest expense capitalized	4 179	
11	Social security taxes capitalized	831	
12	Social security taxes charged depreciation reserve	17	
13	Federal capital stock tax adjustment	1 946	
14	Regulatory commission investigation expense		
15	deferred on books	33 964	40 937
16	Estimated excess-profits net income as shown		
17	on Line 1, Page 1, Column (I) of Exhibit 202		$811 000

[fol. 16598]

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Reconcilement Of Net Income Per Books
With Estimated Excess-Profits Net Income For The Year 1941
As Shown On Line 1, Page 1, Column (L) Of Exhibit 202

Indiana Gas Distribution Corporation

Line No.	(A)	(B)	(C)
1	Net income per books for the year 1941		$23 280
2	Additions:		
3	Provision for Federal income tax	$9 361	
4	Provision for Federal excess-profits tax	2 522	
5	Provision for injuries and damages	1 000	12 883
6			36 163

7	Deductions:	
8	Excess of deduction claimed for depreciation over	
9	book provision	163
10	Estimated excess-profits net income as shown	
11	on Line 1, Page 1, Column (L) of Exhibit 202	$36 000

[fol. 16599] (Exhibit 258.)

Findings and Opinion of the Commission

For Release in Morning Newspapers of Wednesday, April 1, 1942

Securities and Exchange Commission
Philadelphia

Holding Company Act
Release No. 3415

In the Matter of

Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation, Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation, Indiana Gas Distribution Corporation, The Ohio Fuel Gas Company.

File Nos. 59-33, 70-268, 70-371, 70-387, 70-430, 70-431

(Public Utility Holding Company Act of 1935)

Integration of Holding Company System

Where subsidiary company engaged in business of producing, purchasing, transmitting, and selling natural gas buys only a very minor portion of its gas from, sells no gas to, and has no operating interrelationship with any other company in the holding company system, held that non-utility properties of subsidiary are not reasonably incidental, or economically necessary or appropriate to the operations of any integrated utility system retainable by

the holding company; that the utility properties of the subsidiariary cannot be regarded as part of any retainable integrated utility system of the holding company; and that under Section 11 (b)-(1) the subsidiary must be divorced from the holding company system.

Distribution of Voting Power Among Security Holders

Disproportion between Investment and Voting Power

Where preferred stock which represents only 1.32% of total capitalization and 2.35% of capital stock and surplus carries with it the right to elect two directors and a share-for-share vote on all other matters, held that such voting rights are in disproportion to the interest which the stock represents; that the circumstances under which the voting power was acquired are not controlling if, in fact, disproportion exists at the time the issue is presented to the Commission; that at the present time such voting rights constitute an unfair ~~and~~ inequitable distribution of voting power; and that under Section 11 (b) (2) the votings rights must be canceled.

[fol. 16600] Appearances:

William R. Nowlin and Sidney Willner, for the Public Utilities Division of the Commission

William H. Button, James B. Alley, and Charles R. Lowther, for Columbia Oil & Gasoline Corporation.

Wayne Johnson, Jr., and Edward S. Pinney, William Wemple, and Frederick S. Beebe, of Cravath, DeGersdorff, Swaine & Wood, for Columbia Gas & Electric Corporation.

Robert J. Bulkley, Arthur Logan, Russell Hardy, and Richard B. Hand, for Missouri-Kansas Pipe Line Company.

Edwin N. Goodwin and William L. Glenn, for Panhandle Eastern Pipe Line Company.

J. G. Laylin and John F. Meck, for W. H. Danforth.

John D. Ellis, for the City of Cincinnati.

James H. Lee, for the City of Detroit.

Kenneth L. Sater for the Public Utilities Commission of Ohio.

Eugene Bleiweiss, for Abner Goldman.

These proceedings are a consolidation of various applications and declarations filed by the above-named companies and action instituted by the Commission under Sections 11 (b) (1), 11 (b) (2), 12 (c), 12 (f), and 15 (f) of the Public Utility Holding Company Act of 1935. The history and background of the proceedings have been set forth at some length in a prior opinion (Holding Company Act Release No. 3286) and need not be repeated here. [1]

Two questions are now before us for disposition: (1) Whether Panhandle Eastern Pipe Line Company may be retained in or must be divorced from the holding company system of Columbia Gas & Electric Corporation under Section 11 (b) (1) of the Act; and (2) whether by reason of the voting rights of the Class B Preferred Stock of Panhandle Eastern Pipe Line Company there is an unfair or inequitable distribution of voting power which must be rectified under Section 11 (b) (2) of the Act.

The hearings on these two questions have been closed. Briefs have been filed and oral argument has been presented. Various subsidiary questions of jurisdiction and procedure raised by Columbia Oil & Gasoline Corporation were disposed of in our opinion and order of February 10, 1942 (Holding Company Act Release No. 3321).

[fol. 16601] I. Retention of Panhandle Eastern in the Columbia Gas System

Columbia Gas & Electric Corporation is a registered public utility holding company whose subsidiaries include gas utility companies, electric utility companies, a service

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[1] See also our statement of tentative conclusions issued in response to the request of Columbia Oil & Gasoline Corporation (Holding Company Act Release No. 3296), and our memorandum opinion and order disposing of various motions filed by Columbia Oil & Gasoline Corporation (Holding Company Act Release No. 3321).

company, and companies which are engaged in the production and transmission of natural gas. The gas companies operate in Ohio, Pennsylvania, West Virginia, Kentucky, New York, Maryland, Virginia, and Indiana.

Panhandle Eastern Pipe Line Company is a subsidiary of Columbia Oil & Gasoline Corporation, which is in turn a subsidiary of Columbia Gas.[2] Panhandle Eastern is engaged in the business of producing, purchasing, transmitting, and selling natural gas. It obtains its gas from the Amarillo and Hugoton fields, and its pipe lines extend through Texas, Oklahoma, Kansas, Missouri, and Illinois to a point on the Indiana-Illinois border near Dana, Indiana, where a connection is made with the lines of Michigan Gas Transmission Corporation, a recently acquired wholly-owned subsidiary. Gas transmitted through these lines is delivered to the Michigan Consolidated Gas Company, a non-affiliate which serves the City of Detroit. Indiana Gas Distribution Corporation, a recently acquired wholly-owned subsidiary of Panhandle Eastern, owns spurs along the Michigan Gas Transmission lines and sells gas at retail in Michigan and Indiana to approximately 1,800 customers, including one large industrial company. Illinois Natural Gas Company, also a wholly-owned subsidiary of Panhandle Eastern, sells gas at wholesale in Illinois. Panhandle Eastern also controls another small line running from Indiana into Ohio and back into Indiana.

There are no connections between the lines of Panhandle Eastern and its subsidiaries and those of any other company in the Columbia Gas system, except for a connection with a line of The Ohio Fuel Gas Company (a Columbia Gas subsidiary) in Ohio. At that point there is a connection separated by a valve which is normally closed. The interchange of gas between Ohio Fuel and the Panhandle Eastern lines is negligible and there are no billings for such interchange. Panhandle Eastern and its subsidiaries buy no other gas from, sell no gas to, and have no operating interrelationship with any other com-

[2] See Panhandle Eastern Pipe Line Company, et al., 9 S. E. C. ... (1941), Holding Company Act Release No. 2778.

pany in the Columbia Gas system. The entire capacity of Panhandle Eastern and its subsidiaries is required for its own customers.

All parties to the proceedings and all persons who have been heard appear to agree that the properties of Panhandle Eastern and its subsidiaries bear no operating relationship to any other properties in the Columbia Gas system and must be divested from the system. Counsel for Columbia Gas have taken the position that they are "willing not to oppose an order of divestiture so long as that order of divestiture was directed not only to Columbia Gas but to Columbia Oil as well." Counsel for Columbia Oil stated at the argument before us: "We want Panhandle out of the Columbia Gas system, but we want the cut between Columbia Gas and Columbia Oil, rather than between Columbia Oil and Panhandle."

[fol. 16602] At this stage of the proceedings we are not concerned with the method by which Panhandle may be divorced from the Columbia Gas System. The question before us at this time is whether, under Section 11 (b) (1), we should require that there be divestment. On the basis of the record we find—and apparently all the parties agree—that the properties of Panhandle Eastern and its subsidiaries bear no operating relationship to the properties of any other company in the Columbia Gas system, specifically that the non-utility properties of Panhandle Eastern and its subsidiaries are not reasonably incidental, or economically necessary or appropriate to the operations of any integrated utility system retainable by Columbia Gas and that the utility properties cannot be regarded as part of any retainable integrated utility system. Accordingly, we find that Section 11 (b) (1) of the Act requires Panhandle Eastern and its subsidiaries to be divorced from the Columbia Gas system. Since Columbia Gas' interest in Panhandle Eastern is held through Columbia Oil, our order will be directed against both Columbia Gas and Columbia Oil. However, we again emphasize that we are not at this time expressing any opinion as to whether divestment should be accomplished by severance between Columbia Gas and Columbia Oil, between Columbia Oil and Panhandle Eastern, or in some other man-

her. The method of divestment will be the subject of future hearings.

II. The Voting Rights of Panhandle Eastern's Class B Preferred Stock

The remaining question to be decided at this time is whether it is necessary or appropriate to require under Section 11 (b) (2) that Panhandle Eastern take steps to rectify any unfair and inequitable distribution of voting power among its security holders.

As of September 30, 1941, the pro forma capitalization of Panhandle Eastern based upon the contemplated acquisitions and security issues which were subsequently consummated was, as follows:

Funded Debt	
First Mortgage Series A, 1946-1950	$ 6,250,000
First Mortgage Series B, S. F. 3's 1960	12,000,000
First Mortgage Series C, S. F. 3's 1962	10,000,000
Serial Notes, 1942-1945	5,000,000
Leasehold Purchase Obligation	14,256
	$33,264,256
Preferred Stock	
Class B—10,000 shares	$1,000,000
Cumulative Preferred—150,000 shares	15,000,000
	$16,000,000
[fol. 16603] Common Stock and Surplus	
Common Stock—807,367 shares	20,184,175
Earned Surplus	6,323,041a
	$26,507,216
	$75,771,472

a $2,081,485 of debt discount and expense and call premiums have been written off since September 30, 1941, and have consequently, been deducted from this surplus figure.

Of the 807,367 shares of common stock, 404,326 shares, or 50.1%, are held by a trustee for the benefit of Columbia Oil; 339,475 shares, or 42%, are owned by Missouri-Kansas Pipe Line Company (Mokan); and the remaining 7.9% is distributed among 1,700 shareholders. The 150,000 shares of cumulative preferred stock were recently issued for distribution to the public pursuant to applications and declarations filed with us. [3]Columbia Oil is the beneficial owner of the entire block of Class B preferred.

The Class B stock, all of which is beneficially owned by Columbia Oil, represents an interest of $1,000,000 in Panhandle Eastern, or 1.32% of its total capitalization and 2.35% of its capital stock and surplus. This stock carries with it the right to elect two directors of Panhandle Eastern and a share-for-share vote on all other matters. At present there are nine directors of Panhandle Eastern but the charter would seem to permit a revision of the by-laws to change this number.

The circumstances incident to the issuance of this B stock have been explained in an earlier opinion. [4]Prior to the time the stock was issued Columbia Gas and Columbia Oil were the defendants in anti-trust litigation instituted by the Department of Justice. In that litigation it was charged that the defendants were dominating and controlling the management and operation of Panhandle Eastern for the purpose of preventing competition between that company and Columbia Gas, and were thereby creating a restraint of trade in violation of the anti-trust laws. At the same time Columbia Gas and Columbia Oil were also defendants in an action brought by Mokan under the anti-trust laws for treble damages. Panhandle Eastern, moreover, was in severe financial difficulties. In the course of negotiations for a settlement of both the anti-trust actions, Panhandle Eastern was reorganized and refunded. As an incident of the refunding operation, Columbia Oil, upon surrender of $11,000,000 of convertible preferred stock of Panhandle Eastern, received the Class B Stock in question and a Class A Cumulative Participating

[3]See Holding Company Act Release No. 3286.

[4]Holding Company Act Release No. 3286.

Preferred Stock in an amount of $10,000,000. The Class A stock has now been redeemed. Consequently, any equity which may have existed in endowing the Class B stock with the voting privileges described above, and in thereby affording some protection for the $11,000,000 interest, has now been dissipated by the redemption of 90% of that sum. The voting power of the B Stock now remains as a pure device to insure control.

[fol. 16604] In attempting to justify the retention of this voting power, however, counsel for Columbia Oil has urged that Columbia Oil paid adequate consideration therefor and that the only interested parties at the time of the stock issuance acquiesced in its grant. Counsel has also argued that the investors who have since purchased the common stock of Columbia Oil acquired their interests subject to the settlement agreement creating the stock.

We cannot agree with this contention. Acceptance of Columbia Oil's argument would, to a considerable extent, nullify Section 11 (b) (2), for there are few instances in which an existing unfair and inequitable distribution of voting power does not have its origin in the corporate structure created at the organization of the corporation, and all stockholders buying into the corporation thereafter might be presumed, in the same sense that they are here, to have acquiesced in the existing corporate structure. Voting power is generally fixed by the promoters and managers at a time when the public investor is in no position to assert a claim to a fair share of the management of a corporation. If the allocation of voting power under these circumstances is to be considered a contract which subsequent investors cannot question and which the Commission cannot question on their behalf, then Section 11 (b) (2) would become almost wholly meaningless. [5] Section 11

[5] In connection with Columbia Oil's argument that all interested parties in Panhandle Eastern have acquiesced in the present distribution of voting power, it may also be appropriate to point out that a new investing interest has come into Panhandle Eastern—the investing interest which has bought $15,000,000 of preferred stock—and that this new preferred stock was issued and purchased pursuant to approval by this Commission in an opinion in which the Commission indicated that the fairness of the voting power of the new stock should be considered in light of the fact that the voting power of the Class B stock <u>prima facie</u> inequitable and would probably be modified in the pending proceedings under Section 11 (b) (2).

(b) (2) was designed to remove the inequities resulting from the exercise of control through disproportionately small investments. The circumstances under which the voting power was acquired are not controlling if, in fact, disproportion exists at the time the issue is presented to us. In the particular case, even if we assume that the voting power conferred by the B stock was fair and equitable at the time of the original issuance of the A and B stock to Columbia Oil, certainly a patent disproportion between the control and the investment represented by the B stock came into being on liquidation of the A stock.

We find that the voting rights of the Class B Preferred Stock of Panhandle Eastern Pipe Line Company are in disproportion to the investment which this stock represents, and that such voting rights constitute an unfair and inequitable distribution of voting power in Panhandle Eastern Pipe Line Company.

[fol. 16605] A further question remains as to what steps must be taken to rectify this unfair and inequitable distribution of voting power. In our opinion, as long as this B stock remains outstanding, the simplest and most direct method for achieving that result is to require that the voting power of the Class B stock be canceled. Our order will so provide. However, the parties may, if they so desire, submit any alternative plan of action which they deem appropriate to cure the unfair and inequitable distribution of voting power, including any plan for the retirement and redemption of the stock, and if such plan is approved, it will supersede our order in this respect.

Our findings and order herein relate only to the two questions which are now before us for disposition. The remaining issues in the consolidated proceedings will be the subject of future hearings.

An appropriate order will issue.

By the Commission (Chairman Purcell, Commissioners Healy, Pike, Burke, and O'Brien).

FRANCIS P. BRASSOR,
Secretary.

(Seal)

[fol. 16606] Order Requiring Divestiture Pursuant to Section 11 (b) (1) and Redistribution of Voting Power Pursuant to Section 11 (b) (2).

United States of America
Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission, held at its office in the City of Philadelphia, Pennsylvania, on the 31st day of March A. D., 1942.

In the Matter of

Columbia Gas & Electric Corporation, Columbia Oil & Gasoline Corporation, Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation, Indiana Gas Distribution Corporation, the Ohio Fuel Gas Company,

Files Nos. 59-53, 70-263, 70-371, 70-387, 70-430, 70-431.
(Public Utility Holding Company Act of 1935).

The Commission having instituted proceedings under Sections 11 (b) (1), 11 (b) (2), 12 (c), 12 (f), and 15 (f) of the Public Utility Holding Company Act of 1935, and having ordered that evidence be taken with respect to (1) whether Panhandle Eastern Pipe Line Company may be retained in, or must be divorced from, the holding company system of Columbia Gas & Electric Corporation under Section 11 (b) (1) of the Act, and (2) whether, by reason of the voting rights of the Class B Preferred Stock of Panhandle Eastern Pipe Line Company, there is an unfair or inequitable distribution of voting power which must be rectified under Section (11) (2) of the Act;

Hearings on these two issues having been held after due notice, the Commission having heard argument with respect to the said issues, having duly considered the record and being fully advised in the premises, and having this day made and filed its findings and opinion herein;

It is Ordered, on the basis of such findings and opinion:

(1) That, pursuant to Section 11 (b) (1) of the Public Utility Holding Company Act of 1935, respondents Columbia Gas & Electric Corporation and Columbia Oil & Gasoline Corporation shall take all necessary and appropriate

steps to sever the relationship of Columbia Gas & Electric Corporation with Panhandle Eastern Pipe Line Company by disposing, or causing the disposition, in any appropriate manner not in contravention of the applicable provisions of the Act or the rules and regulations promulgated thereunder, of Columbia Gas & Electric Corporation's direct and indirect ownership, control, and holding of securities issued by and the properties of Panhandle Eastern Pipe Line Company and its subsidiaries;

(2) That, pursuant to Section 11 (b) (2) of the Public Utility Holding Company Act of 1935, the voting power of the Class B Preferred Stock of Panhandle Eastern Pipe Line Company shall be canceled, provided, however, that the respondents may, if they so desire, submit any alternative plan of action which they deem appropriate to cure the unfair and inequitable distribution of voting power, [fol. 16607] including any plan for the retirement or redemption of the said Class B Preferred Stock and, provided, further, that if such plan is approved, it will supersede our order herein in this respect;

(3) That the respondents, in accordance with Section 11 (c) of the Public Utility Holding Company Act of 1935, shall comply with this order within one year from the date of its entry.

It is provided with respect to our findings, opinion, and order herein, in their entirety and with respect to the entry, publication and service thereof, that they shall be without prejudice to the right of the Commission to enter such other further and appropriate orders, from time to time, as the Commission may deem necessary to secure compliance by the respondents with the provisions of the Act and the pertinent rules and regulations thereunder in carrying out the provisions of this order; and

It is Further Provided that jurisdiction is reserved to the Commission with respect to all issues remaining in the consolidated proceedings herein, and with respect to the institution of such further proceedings as the Commission may deem necessary or appropriate under the provisions of the Pubic Utility Holding Company Act of 1935.

By the Commission.

(Seal)

FRANCIS P. BRASSOR,
Secretary.

[fol. 16608] (Exhibit 259.)

Weighted Average Earnings—Price Ratios On Common Stocks*

153 Stable Industrial Companies*

	Indicated Market Value of Common Stock	Earnings Available for Common Stock	Earnings-Price Ratios	Weights	Weighted Per Cent
	($1,000)	($1,000)	%		
1937	$20,334,335	$ 1,452,546	7.14	1	7.14
1938	16,896,191	907,166	5.37	2	10.74
1939	18,334,335	1,207,721	6.59	3	19.77
1940	17,198,807	1,313,265	7.64	4	30.56
1941	12,580,332	1,087,691	8.65	5	43.25
				15	111.46
	Weight average earnings-price ratio				7.43

* Based on data submitted by Paul B. Coffman in Exhibit 254 and in Chart No. 11 and the table supporting that chart in Exhibit 253.

[fol. 16609]

Exhibit 260

Panhandle Eastern Pipe Line Company
Status Of Proposed 1942 Construction Program
Production And Gathering System
South And West Of Liberal Station
(Pages 27 And 28 Of Exhibit 42)

Witness Hinton

Item	Description (A)	Estimated Cost (B)	Right of Way Tracts: No. Required (C)	Right of Way Tracts: No. Taken (D)
a.	Drill 5 wells in Panhandle Field, including acidization and liners, at a cost of	$ 106 463		None Required
b.	Install liners in 2 old wells in Panhandle Field at a cost of	916	None	
c.	Install tubing in 2 old wells in Panhandle Field costing	4 262	None	
d.	Acidize 5 old wells in Panhandle Field, costing	7 750	None	
e.	Lay well lines for 5 new wells in Panhandle Field, costing	15 395	8	7
f.	Construct 5 measuring stations for new wells in Panhandle Field, costing	3 450	None	
g.	Construct trunk gathering line, looping present line from Hansford Station South 31.1 miles, costing	672 133	45	43
h.	Increase capacity of present gathering line by looping existing lines and additional gathering lines, costing	422 464	14	8
i.	Install 2,600 additional H.P. at Sneed Station and increase cooling tower capacity, 1 additional auxiliary engine and one scrubber, costing	362 800	None	
j.	Install 1,300 H.P. at Hansford Station, costing	121 200	None	
k.	Construct 12 additional dwellings for employees, including 3 at Zofness, 3 at Hansford and 6 at Sneed, one of the Hansford dwellings being a 10-room hotel for single employees, at a cost of	81 000	None	

Panhandle Eastern Pipe Line Company
Status Of Proposed 1942 Construction Program
Production And Gathering System
South And West Of Liberal Station
(Pages 27 And 28 Of Exhibit 42)

Item	Description (A)	Estimated Cost (B)	Right of Way Tracts: No. Required (C)	Right of Way Tracts: No. Taken (D)
l.	Build 3 garages, a 3-car garage at Hansford, a 3-car garage at Sneed and a 6-car garage at Zofness, costing	$ 2 760	None	None Required
m.	Drill 19 wells in Texas County, Hugoton Field, including liners and acidization, at a cost of	358 169		
n.	Install liners in 2 old wells in Hugoton Field, at a cost of	762	None	
o.	Acidize 10 wells in Hugoton Field, costing	15,500	None	
p.	Construct Cimarron River Crossing for loop line, costing	220 384	1	1
q.	Construct trunk gathering line from Liberal toward Hansford, looping existing line approximately 32 miles, at a cost of	850 048	63	62
r.	Construct gathering line from Section 31, Township 4, to near Optima in Texas County, Oklahoma, costing	324 180	29	0
s.	Construct gathering line in Oklahoma, connecting with the Optima line, at cost of	856 606	187	0
t.	Construct well lines for 20 new wells, costing	47 610	41	20
u.	Construct and install 10 well dehydrators, at cost of	2 500	None	
v.	Construct 20 measuring stations, at cost of	13 890	20	20
w.	Construct 3 houses for employees at Optima Camp, costing	18 000	—	—

[fol. 16611]

6870

Exhibit 260

Panhandle Eastern Pipe Line Company
Status Of Proposed 1942 Construction Program
Production And Gathering System
South And West Of Liberal Station
(Pages 27 And 28 Of Exhibit 42)

Item	Description (A)	Estimated Cost (B)	Right of Way Tracts No. Required (C)	Right of Way Tracts No. Taken (D)
x.	Construct office building at Hugoton Camp, costing	$ 7 000	None	
y.	Construct warehouse at Optima Camp, costing	1 000	—	—
z.	Construct one 6-car garage at Optima Camp, costing	1 380	—	—
z-1	Construct telephone line to serve at Optima gathering line, costing	10 830	29	0
z-2	Install 2-way radio station to serve area within 50 mile radius of Hugoton, costing	3 030	None	
z-3	Purchase 3 automobiles (coupes) for serving portions of Hugoton Field, costing	2 756		
z-4	Purchase 1-ton truck for Oklahoma area, costing	1 072		
	Total	$4 535 220		

Notes:

(1) None of the foregoing items are in course of construction.

(2) Work Orders have not been issued for any of the above items.

(3) All material is on hand for items a. and b. No material on hand for other items.

(4) Material on order for items c., i. and j. No priority has been obtained for item c. but an A-2

(5) Budgets have been prepared for submission to the Management for all of the above

Exhibit 261

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES
MAIN LINE SYSTEM
APPROXIMATE COINCIDENTAL MAXIMUM DAY SALES
DURING THE WINTER PERIODS OF 1940-41 AND 1941-42

Classification	Point of Delivery	No. of Main Line Miles from Compressor Station Discharge: Miles	Compressor Station	Approximate Coincidental Maximum Day Sales - MCF: Winter Period 1940-41 (February 19, 1941): Firm	Interruptible	Total	Winter Period 1941-42 (January 7, 1942): Firm	Interruptible	Total
	West of Dana, Indiana								
	Rurals - Texas and Oklahoma	Various	Sneed	16		16	[illegible]		
	Gruver, Texas	32.6	"	47		47	[illegible]		
	Rurals - Kansas	Various	Liberal	32		32	[illegible]		
TB	Kismet, Kansas	43.4	"	26		26	[illegible]		
	Minneola, Kansas	46.9	"	71		71	[illegible]		
	Bloom, Kansas	54.1	"	21		21	24		
TB	Kingsdown, Kansas	62.3	"	24		24	37		
TB	Bucklin, Kansas	69.2	"	98		98	144		
	Mullinville, Kansas	78.2	"	63		63	101		
TB	Iuka, Kansas	34.0	Greensburg	[illegible]		[illegible]	[illegible]		
TB	Preston, Kansas	44.0	"	65		65	[illegible]		
TB	Turon, Kansas	51.2	"	101		101	146		
TB	Langdon, Kansas	57.6	"	34		[illegible]	57		
	Arlington, Kansas	65.7	"	[illegible]		[illegible]	[illegible]		
	Whitewater, Kansas	37.5	Haven	76		[illegible]	[illegible]		
	[illegible], Kansas	39.0	"	[illegible]					
	[illegible], Kansas	52.1	"	61					
	[illegible], Kansas	13.7	Olpe	20					
	Phillips Petroleum Co. - Sharpe Plant	28.1	"	-	397	397			
	[illegible], Kansas	35.2	"	21		21			
	Williamsburg, Kansas	41.0	"	12		12			
	Rurals - Mildred, Kansas Lateral	58.0	"	14		14			
	[illegible], Kansas	58.0	"	25		25	Served by Local Area		
	[illegible], Kansas	58.0	"	14		14			Dis[illegible]
	Mildred, Kansas	58.0	"	1		1			D[illegible]
	[illegible] State Hospital (Kansas)	70.4	"	-	300	300	-		-
	Phillips Petroleum Co. - Paola Plant	73.5	"		286	286	-	150 A	[illegible]
	[illegible] Brick & Tile Co.	85.8	"	-			-	10 A	
	Rurals - Liberty, Missouri Lateral	85.6	"	33		33	63		
	The [illegible] Small Co., Inc.	85.8	"	-		-	-		
	Liberty, Missouri	85.8	"	689	189	878 A	1,014	171	[illegible]
	Excelsior Springs, Missouri	85.5	"	412	29	441 A	607	26	
	Rurals - Missouri	Various	Louisburg	20		20	24		
	Harrisonville, Missouri	12.1	"	277	23	300	406	21	
	Phillips Petroleum Co. - Harrisonville Plant	18.7	"	-	225	225	-	225 A	
	Centerview, Missouri	46.3	"	5		5	5		
	Phillips Petroleum Co. - Leeton Plant	63.2	"	-	229	229	-	201 A	
	Windsor, Missouri	63.2	"	64		64	90		
	Houstonia, Missouri	72.4	"	6		6	[illegible]		
	Pilot Grove, Missouri	24.0	Houstonia	28		28	40		
TB	Clarksburg, Missouri	33.7	"	1		1	1		

Sheet 1 [illegible]

16612

6871

[illegible] POWER COMMISSION, DOCKET NO. G-200
EXHIBIT NO. 261 (FOR IDENTIFICATION)
DATE IDENTIFIED 4-23-42

Maximum Day Sales - MCF
Winter Period 1941-4[illegible]
(January 7, 1942)

Firm	Interruptible	Total
[illegible]	150 A	150 A
[illegible]	51 A	51 A
53		[illegible]
[illegible]914	171	[illegible] A
507	25	[illegible]
24		[illegible]
405	21	[illegible] A
	225 A	[illegible] A
5		[illegible]
	201 A	[illegible] A
90		[illegible]
40		45
1		

Exhibit 261

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES
MAIN LINE SYSTEM
APPROXIMATE COINCIDENTAL MAXIMUM DAY SALES
DURING THE WINTER PERIODS OF 1940-41 AND 1941-42

Point of Delivery	No. of Main Line Miles from Compressor Station Discharge: Miles	Compressor Station	Approximate Coincidental Maximum Day Sales - MCF: Winter Period 1940-41 (February 19, 1941): Firm	Interruptible	Total	Winter Period 1941-42 (January 7, 1942): Firm	Interruptible	Total
West of Dana, Indiana (Cont.)								
Tipton, Missouri	33.7	Houstonia	56		56	91		91
Phillips Petroleum Co. - Jefferson City Plant	33.7	"	-	256	256	-	235 A	235 A
Jefferson City, Missouri	33.7	"	1 930	4 264	6 194 A	2 852	210	3 062 A
Boonville	34.8	"	530	779	1 309 A	837	410	1 247 A
The W. J. Small Co., Inc.	35.9	"	-	-	-	-	-	-
New Franklin, Missouri	37.2	"	46		46	64		64
Fayette, Missouri	43.8	"	152		152	207		207
Fayette Brick and Tile Co	43.8	"	-	80	80	-	-	-
[illegible]son, Missouri	59.1	"	7		7	11		11
Moberly, Missouri	59.1	"	383	81 A	464 A	500	74 A	574 A
[illegible] Cooley Brick & Tile Co.	60.6	"	-	-	-	-	-	-
Columbia, Missouri	60.6	"	1 557	722	2 279 A	2 378	680	3 058 A
Hallsville, Missouri	66.3	"	3		3	5		5
Centralia, Missouri	0.1	Centralia	211	105	316	264	81	345
Fulton, Missouri	2.7	"	245	18	263	422	19	441 A
Harbison Walker Refractories Co. - Fulton	2.7	"	-	1 083 A	1 083 A	-	1 042 A	1 042 A
Mexico, Missouri	11.8	"	712	4 027	4 739 A	1 150	4 030	5 180 A
Audrain County Home	12.0	"	10		10	14		14
Mexico Refractories Co.	15.7	"	-	1 525 A	1 525 A	-	1 168 A	1 168 A
Laddonia, Missouri	28.5	"	10		10	18		18
Wellsville, Missouri	28.5	"	46		46	85		85
Wellsville Fire Brick Co.	28.5	"	-	-	-	-	353 A	353 A
[illegible], Missouri	28.5	"	6		6	8		8
[illegible], Missouri	31.6	"	4	-	4	6	213 A	219
[illegible] Refractories Co	31.6	"	-	275 A	275 A	Served By Missouri P. & L. Co Farber, Missouri		
[illegible] Co.	32.7	"	-	535	535	-	466 A	466 A
Vandalia, Missouri	36.5	"	92	39	131	158	42	200
Harbison Walker Refractories Co. - Vandalia	36.5	"	-	2 063 A	2 063 A	-	1 684 A	1 684 A
New London, Missouri	39.0	"	22		22	43		43
Freiling Greenhouse	39.0	"	-	13	13	-	20	20
Universal Atlas Cement Co.	39.0	"	-	5 582 A	5 582 A	-	370 A	370 A
Hannibal, Missouri	39.0	"	1 059	694	1 753 A	1 176	827	2 005 A
Palmyra, Missouri	39.0	"	221		221	310		310
Marblehead Lime Co. - Marblehead and Quincy	39.0	"	-	436 A	436 A	-	346 A	346 A
Menke Stone & Lime Co.	39.0	"	-	97	97	-	76 A	76 A
The Black White Lime Co.	39.0	"	-	101	101	-	98 A	98 A
Quincy, Illinois	39.0	"	1 798 A		1 798 A	2 404 A		2 404 A
Bowling Green, Missouri	51.6	"	273	57	330	466	61	547 A
Louisiana, Missouri	62.9	"	416	53	469 A	593	69	662 A
Rurals - Illinois	Various	Pleasant Hill	12		12	26		26
Pittsfield, Illinois	7.2	"	158		158	234 A		234

Maximum Day Sales - MCF Winter Period 1941-42 (January 7, 1942) Firm	Interruptible	Total	MCF Interruptible Curtailed January 7, 1942
91		91	
-	235 A	235 A	
2 852	210	3 062 A	4 020
837	410	1 247 A	700
-	-		
64		64	
207		207	
-	-	-	
11		11	
500	74 A	574 A	
-	-	-	
2 378	680	3 058 A	
264	81	345	
422	19	441 A	
-	1 042 A	1 042 A	824
150	4 030	5 180 A	1 064
14		14	
-	1 168 A	1 168 A	940
18		18	
85		85	
-	353 A	353 A	
8		8	93
6	213 A	219	114
Served by Missouri P. & L. Co. - Farber, Missouri			
-	466 A	466 A	
158	42	200	239
-	1 684 A	1 684 A	
43		43	433
-	20	20	
-	370 A	370 A	
1 178	827	2 005 A	552
310		310	201
-	346 A	346 A	
-	76 A	76 A	97
-	98 A	98 A	92
2 404 A		2 404 A	10
486	61	547 A	
593	69	662 A	
26		26	
234 A		234 A	

Exhibit 261

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES
MAIN LINE SYSTEM
APPROXIMATE COINCIDENTAL MAXIMUM DAY SALES
DURING THE WINTER PERIODS OF 1940-41 AND 1941-42

Classification	Point of Delivery	No. of Main Line Miles from Compressor Station Discharge: Miles	Compressor Station	Approximate Coincidental Maximum Day Sales - MCF: Winter Period 1940-41 (February 19, 1941): Firm	Interruptible	Total	Winter Period 1941-42 (January 7, 1942): Firm	Interruptible	Total
	West of Dana, Indiana (Cont.)								
TB	Roodhouse, Illinois	29.5	Pleasant Hill	67		67	232 A		232 A
TB	White Hall, Illinois	29.5	" "	66		66	102		102
TB	Jacksonville, Illinois	39.5	" "	577	349	926 A	732	389	1 121 A
TB	Springfield, Illinois	70.7	" "	4 382	231	4 613 A	5 782	161	5 943 A
TB	Lincoln, Illinois	70.7	" "	318	140	458 A	455	166	621 A
TB	Clinton, Illinois	70.7	" "	-		-	114 A		114 A
TB	Morton, Illinois	70.7	" "	3	72	75	102	103	205 A
TB	Washington, Illinois	70.7	" "	-		-	117 A		117 A
TB	Pekin, Illinois	70.7	" "	739		739 A	1 068 A		1 068 A
TB	Canton, Illinois	70.7	" "	795	1 066 A	1 861 A	1 110	879 A	1 989 A
TB	Bartonville, Illinois (Incl. portion of Peoria)	70.7	" "	1 765	4 916 A	6 681 A	2 235	3 324 A	5 559 A
[illegible]	Peoria, Illinois	70.7	" "	7 746	4 031	11 777 A	9 070	5 440	14 510 A
[illegible]	Taylorville, Illinois	20.2	Glenarm	413 A		413 A	505 A		505 A
[illegible]	Decatur, Illinois (Incl. Camp Seymour)	33.2	"	2 291	656	2 947 A	3 447	1 165	4 612 A
[illegible]	Arthur, Illinois	33.4	"	-		-	110 A		110 A
[illegible]	Atwood, Illinois	33.9	"	-		-	33 A		33 A
[illegible]	Tuscola, Illinois	4.0	Tuscola	218	50	268	404	55	459 A
[illegible]	Villa Grove, Illinois	6.7	"	72		72	143 A		143 A
[illegible]	Champaign-Urbana, Illinois	6.7	"	2 277	689	2 966 A	2 859	1 145	4 004 A
[illegible]	Newman, Illinois	19.9	"	41		41	74 A		74 A
[illegible]	Chrisman, Illinois	36.3	"	43		43	118 A		118 A
[illegible]	Danville, Illinois (Incl. Western Brick)	39.6	"	850	283	1 133 A	1 126	186	1 312 A
[illegible]	Hoopeston, Illinois	39.6	"	270		270	313		313
	Total West of Dana, Indiana			35 368	37 046	72 414	48 722	26 571	75 293
	Total East of Dana, Indiana	44.0	"			167 980 A			178 868 A
	Total Main Line System					240 394			254 161

Classification:
- I - Direct Sales to Industrial Customers.
- PL - Deliveries to Michigan Gas Transmission Corp. for re-delivery to Kentucky Natural Gas Corp. and Utilities in Indiana, Ohio and Mic
- R - Direct Sales to Right of Way Customers and Company Employees.
- TB - Sales to Utilities for resale to Domestic, Commercial and Industrial Customers.

Notes: (a) Figures marked A are actual, all others are approximate.

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	1 Maximum Day Sales - MCF Winter Period 1941-42 (January 7, 1942) Firm	Interruptible	Total	MCF Interruptible Curtailed January 7, 1942
	232 A		232 A	
	102		102	
A	732	389	1 121 A	
A	5 782	161	5 943 A	
A	455	166	621 A	
	114 A		114 A	
	102	103	205 A	
	117 A		117 A	
A	1 068 A		1,068 A	
A	1 110	679 A	1 989 A	226
A	2 235	3 324 A	5 559 A	2 91[illegible]
A	9 070	5 440	14 510 A	
A	505 A		505 A	
A	3 447	1 165	4 612 A	
	110 A		110 A	
	33 A		33 A	
	404	55	459 A	
	143 A		143 A	
A	2 859	1 145	4 004 A	
	74 A		74 A	
	118 A		118 A	
A	1 126	186	1 312 A	92
	313		313	
	48 722	26 571	75 293	20 210
A			178 868 A	
			254 161	

...d Utilities in Indiana, Ohio and Michigan.

Exhibit 261

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES
MAIN LINE SYSTEM
SUPPLEMENTARY STATEMENT INDICATING DETAIL OF SALES TO
UTILITIES FOR RESALE TO INTERRUPTIBLE CUSTOMERS

Point of Delivery	MCF - February 19, 1941 Actual		Other Customers Estimated	Total	MCF - Janu[illegible] Actual	
[illegible] Dana, Indiana						
[illegible]ville, Missouri	Power Plant	417	362	779		
Bowling Green, Missouri		-	57	57		
Centralia, Missouri		-	105	105		
[illegible], Missouri		-	722	722		
Excelsior Springs, Missouri		-	29	29		
[illegible], Missouri		-	-	-	North American Refractories Co.	
Fulton, Missouri		-	18	18		
[illegible], Missouri		-	694	694		
[illegible]nville, Missouri		-	23	23		
Jefferson City, Missouri	Power Plant	4 066	198	4 264	Power Plant	
Liberty, Missouri		-	189	189		
[illegible], Missouri		-	53	53		
Mexico, Missouri	Power Plant A. P. Green Brick Co.	389) 3 517)	121	4 027	Power Plant A. P. Green Brick Co	 3
Moberly, Missouri	Power Plant	81	-	81	Power Plant	
[illegible], Missouri		-	39	39		
[illegible]ville, Illinois	Keystone Steel & Wire Co.	4 916	-	4 916	Keystone Steel & Wire Co.	2
[illegible], Illinois	International Harvester Co.	1 066	-	1 066	International Harvester Co.	
[illegible], Illinois		-	689	689		
[illegible], Illinois		-	283	283	Western Brick Co.	
Decatur, Illinois		-	656	656		
Jacksonville, Illinois		-	349	349		
[illegible], Illinois		-	140	140		
[illegible], Illinois		-	72	72		
Peoria, Illinois	Altorfer Bros. Co. Caterpillar Tractor Co. Commercial Solvents Co. R. Herschel Mfg. Co. Hiram Walker & Sons	294) 1 568) 1 621) 222) 59)	267	4 031	Altorfer Bros. Co. Caterpillar Tractor Co. Commercial Solvents Co. R. Herschel Mfg. Co. Hiram Walker & Sons	 2 2
Springfield, Illinois		-	231	231		-
Tuscola, Illinois		-	50	50		-
Total West of Dana, Indiana		18 216	5 347	23 563		13[illegible]

Notes: (a) Includes Direct Sales to Missouri Power & Light Company for Power Plants at Boonville, Jefferson City, Mexico and Mo[illegible]

(b) Includes all gas sold under Interruptible Rate Schedules.

[illegible] Co.	613	–	
	–	19	
	–	[illegible]	
	–	21	
	50	160	[illegible]
	–	171	
	–	69	
	–		
k Co.	3 907	323	4 [illegible]
	74	–	[illegible]
	–	42	[illegible]
		–	
Wire Co.	3 [illegible]	–	[illegible]
rvester Co	879	–	[illegible]
	–	1 145	
	92	54	145
	–	1 165	1 165
	–	389	[illegible]
	–	166	[illegible]
	–	103	[illegible]
o.	307		
tor Co.	2 364		
nts Co.	2 121		
Co.	262		
ons	11	355	5 44[illegible]
	–	161	161
	–	55	[illegible]
	13 624	6 323	19 [illegible]

ty, Mexico and Moberly, Missouri.

Exhibit 261

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARY COMPANIES
MAIN LINE SYSTEM
DIRECT INDUSTRIAL SALES

	M C F		
	Jan. 6, 1942	Jan. 7, 1942	Jan. 8, 1942
West of Dana, Indiana			
Phillips Petroleum Co. - Sharpe Plant	342	129	15
Phillips Petroleum Co. - Paola Plant	300	160	176
United Brick and Tile Co.	283	51	-
The W. J. Small Co., Inc. - Liberty	-	-	-
Phillips Petroleum Co. - Harrisonville Plant	225	225	225
Phillips Petroleum Co. - Leeton Plant	171	201	188
Phillips Petroleum Co. - Jefferson City Plant	235	255	35
Jefferson City Power Plant	50	50	50
Boonville Power Plant	-	-	-
The W. J. Small Co., Inc. - Boonville	-	-	-
Fayette Brick and Tile Co.	-	-	-
Moberly Power Plant	81	74	73
Edwards Conley Brick and Tile Co.	-	-	-
Harbison Walker Ref. Co. - Fulton	1 433	1 042	672
Mexico Power Plant	47	-	-
Mexico Refractories Co.	2 108	1 168	1 207
Wellsville Fire Brick Co.	446	353	353
Walsh Refractories Co.	705	466	353
Harbison Walker Ref. Co. - Vandalia	2 117	1 644	1 726
Freiling Greenhouse	20	20	20
Universal Atlas Cement Co.	370	370	370
Marblehead Lime Co. (Marblehead and Quincy)	443	346	234
Menke Stone and Lime Co.	55	76	95
The Black White Lime Co.	108	96	49
Total West of Dana, Indiana	9 539	6 748	5 841
Total Curtailed West of Dana	12 608	15 968	16 861
Total Required West of Dana	22 147	22 716	22 702

Exhibit 262

FEDERAL POWER COMMISSION, DOCKET NO. G-200
EXHIBIT NO. 262 (FOR IDENTIFICATION)
DATE IDENTIFIED 4-23-42

FEDERAL POWER CO[illegible]
Docket No. G-[illegible]
Hearing Ex. No. 2[illegible]
Date Introduced 4-[illegible]

PANHANDLE EASTERN PIPE LINE COMPANY AND ITS SUBSIDIARY COMPANY

Customer	Classification (D - Direct) (I - Indirect)	Curtailment Order Date	Curtailment Order Hour	Curtailment Order Per Cent	Curtailment Started Date	Curtailment Started Hour	No. of Days Curtailed	Delivery on Day Before Curtailment	Volume Sun-4th	Volume Mon-5th	Volume Tues-6th	Volume Wed-7th
Kansas												
Phillips Sharp	D	7th	# to 12 AM	50	7th	2:15 PM	5.75	342			-	213
Phillips Pole	D	7th	# to 12 AM	50	7th	1:30 PM	5.75	300			-	140
Missouri												
[illegible] Brick & Tile Company	D	7th	# to 12 AM	50	7th	12:45 PM	5.75	262				232
Phillips Harrisonville (4)	D	7th	# to 12 AM	50				225				
Phillips Jefferson City	D	7th	# to 12 AM	50	8th	11:30 AM	5.00	239				
Jefferson City Boilers	D	4th	1:30 PM	100	4th	2:30 PM	6.75	4 070	2 349	4 020	4 020	4 020
Fayette Brick & Tile Company	D	Not consuming any gas at this time										
Edwards Conley Brick & Tile Company	D	Not consuming any gas at this time										
Harbison Walker - Fulton	D	7th	# to 12 AM	50	7th	1:00 PM	5.75	1 866				824
Mexico Boilers	D	4th	1:15 PM	100	4th	3:30 PM	6.75	403	344	345	356	403
R. F. Green	D	7th	# to 12 AM	50	7th	10:30 AM	5.75	4 568				661
Mexico Refractories	D	7th	# to 12 AM	50	7th	10:30 AM	5.75	2 108				940
Wellsville Fire Brick Company	D	7th	# to 12 AM	50	7th	4:00 PM	5.50	446				93
North American Refractories Company	I	7th	# to 12 AM	50	7th	11:00 AM	5.75	327				114
Walsh Refractories	D	7th	# to 12 AM	50	7th	12:00 AM	5.75	705				239
Harbison Walker - Vandalia	D	7th	# to 12 AM	50	7th	5:30 PM	5.50	2 117				433
Marblehead Lime - Hannibal	I	7th	# to 12 AM	50	7th	4:00 PM	5.50	720				201
Illinois												
Marblehead Lime - Marblehead	D	7th	# to 12 AM	50	7th	7:45 PM	5.50	437				97
Marblehead Lime - Quincy	D	Plant down. Gas is being used only for heating bldgs.						6				
Menke Stone and Lime Company	D	7th	# to 12 AM	50	7th	5:00 PM	5.50	168 Av				92
The Black White Lime Company	D	7th	# to 12 AM	50	7th	4:20 PM	5.50	108				10
International Harvester - Canton	I	7th	# to 12 AM	50	7th	10:30 AM	5.75	1 235				256
Keystone Steel & Wire - Open Hearth	I	6th	3:45 PM	100	6th	4:00 PM	6.50	3 028			1 775	2 918
Western Brick Company - Danville	I	7th	# to 12 AM	50	7th	11:00 AM	5.75	184				92
Total								23 881	2 693	4 365	6 151	11 978
Universal Atlas Cement (1)	D							7 902	7 532	7 532	7 532	7 532
Boonville Boilers (2)	D							700 Av	700	700	700	700
Total Curtailed plus (1) and (2)								32 483	10 925	12 597	14 383	20 210

(1) Voluntarily discontinued use of gas in their kilns January 1, 1942. Continued using approx. 370 MCF per day in driers.
(2) Voluntarily discontinued use of gas October 10, 1941.
(3) Weighted Per Cent
(4) No Butane on hand. Curtailment accomplished at other Phillips Plants.

Note: On the 4th at 8:35 AM Cities Service Johnson Co. Exchange was curtailed from 550 to approx. 200 MCF per day

Trans. Gas Dept. - KDO
January 21, 1942

DOCKET NO. C-200
(IDENTIFICATION)
-23-42
ARY COMPANY

FEDERAL POWER COMMISSION
Docket No. C-200
Hearing Ex. No. 242
Date Rec'd 4-23-42

16617 262

INTERRUPTIBLE CUSTOMERS
CURTAILMENT - JANUARY 4 TO 12, 1942

				C		F				
Volume	Curtailed									Per Cent
Sun-4th	Mon-5th	Tues-6th	Wed-7th	Thurs-8th	Fri-9th	Sat-10th	Sun-11th	Mon-12th	Total	Curtailed
		-	213	327	327	327	327	327	1 848	91
		-	140	124	130	167	146	145	852	49
		-	232	283	283	283	268	141	1 490	92
		-	-	200	235	235	235	235	1 140	97
2 349	4 020	4 020	4 020	4 020	4 020	4 020	4 020	4 020	34 509	97
		-	-	-	-	-	-	-		
		-	-	-	-	-	-	-		
		-	824	1 194	1 358	1 057	1 081	645	6 159	57
344	345	356	403	403	403	403	403	405	3 463	98
	-	-	661	2 511	2 452	2 374	2 522	2 094	12 614	48
	-	-	940	901	922	955	838	631	5 187	43
	-	-	93	93	186	186	93	93	744	30
	-	-	114	141	141	141	141	141	819	44
	-	-	239	352	337	354	371	277	1 930	48
	-	-	433	391	1 232	1 359	986	650	5 051	43
	-	-	201	434	434	413	391	360	2 233	56
		-	97	209	239	239	230	187	1 201	50
	-	-	92	73	92	54	54	46	411	44
	-	-	10	59	59	59	59	34	280	47
	-	-	236	547	438	972	972	197	3 362	48
	-	1 775	2 918	2 854	2 975	3 008	3 002	2 995	19 527	99
	-	-	92	103	138	144	152	122	751	75
2 693	4 365	6 151	11 978	15 219	16 401	16 790	16 291	13 743	103 631	59 (3)
7 532	7 532	7 532	7 532	7 532	7 532	7 532	7 532	7 532	67 788	95
700	700	700	700	700	700	700	700	700	6 300	100
10 925	12 597	14 383	20 210	23 451	24 633	25 022	24 523	21 975	177 719	76

Panhandle Eastern Pipe Line Company And Subsidiaries
Allocation Of Adjusted 1941 Costs Between
Regulated And Non-Regulated Sales

Line No.			Total	Proportion: Regulated Sales	Proportion: Non-Regulated Sales	Allocated To: Regulated Sales	Allocated To: Non-Regulated Sales
			(A)	(B)	(C)	(D)	(E)
1							
2	Costs:						
3	Proportional to Maximum Day's Sales		$ 5,222,003	.9731	.0269	$5,081,531	$ 140,472
4	Proportional to Annual Sales		5,177,648	.8680	.1320	4,494,198	683,450
5			$10,399,651			$9,575,729	$ 823,922
6	Other Costs (Indiana G. D. Corp.)		43,688				
7	Total Cost		$10,443,339				
8							
9							
10							
11							
12	Maximum Day's Sales:						
13	P.E.P.L. Co.)						
14	Ill. N.G. Co.) (Exh.)	MCF	75,293	68,545	6,748		
15	Mich. G.T. Corp. (Exh. 79A)	MCF	175,435	175,435	—		
16	Total						
17		MCF	250,728	243,980	6,748		
18		%	100.00	97.31	2.69		
19	Annual Sales: (Exh. 251)	MCF	62,561,726	54,302,700	8,259,026		
20		%	100.00	86.80	13.20		

21 The term costs as used herein is intended to include all operating revenue
22 deductions of Panhandle Eastern Pipe Line Company and its subsidiaries as
23 shown in Exhibit 195 but does not include return on investment.

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARIES
ALLOCATION OF ADJUSTED 1941 COST AS
PROPORTIONAL TO MAXIMUM DAY'S SALES AND ANNUAL SALES

EXHIBIT 26

WITNESS: Sh

Line No.		1941 Costs (A)	Adjustments (B)	Total To Be Allocated (C)	Allocated As Proportional To: Maximum Day's Sales (D)	Annual Sales (E)	Oth (F)
1							
2	**Natural Gas Production Expenses:**						
3	Operation	$ 376,292.17	$ -	$ 376,292.17	$ -	$ 376,292.17	$ -
4	Maintenance	27,123.09	-	27,123.09	-	27,123.09	-
5	Other Prod. Expenses	1,419,615.96	-	1,419,615.96	-	1,419,615.96	-
6	less: Duplicate Charges - Cr.	* 748,011.50	-	* 748,011.50	-	* 748,011.50	-
7	Total Prod. Expenses	$1,075,019.72	-	$1,075,019.72	-	$1,075,019.72	-
8							
9	**Transmission Expenses:**						
10	Operation:						
11	Supervision & Engineering	$ 134,205.46	$ -	$ 134,205.46	$ 28,182.95	$ 106,022.51	$ -
12	Transmission Mains Expense	186,533.19	164,300.00	350,833.19	350,833.19	-	-
13	Other	1,189,112.99	130,700.00	1,319,812.99	-	1,319,812.99	-
14	Total	$1,509,851.64	$295,000.00	$1,804,851.64	$ 379,016.14	$1,425,835.50	-
15	Maintenance:						
16	Supervision & Engineering	$ 48,127.64	-	$ 48,127.64	$ 19,538.58	$ 28,589.06	$ -
17	Pumping Station Structures	23,897.91	-	23,897.91	23,897.91	-	-
18	Mains	94,212.01	-	94,212.01	94,212.01	-	-
19	Other	172,819.71	-	172,819.71	-	172,819.71	-
20	Total	$ 339,057.27	-	$ 339,057.27	$ 137,648.50	$ 201,408.77	-
21							
22	Total Before Credit	$1,848,908.91	$295,000.00	$2,143,908.91	$ 516,664.64	$1,627,244.27	$ -
23	less: Joint Expenses - Cr.	* 13,200.00	-	* 13,200.00	-	* 13,200.00	-
24	Total Transmission Expenses	$1,835,708.91	$295,000.00	$2,130,708.91	$ 516,664.64	$1,614,044.27	-
25							
26	**Distribution Expenses:**						
27	Operation	$ 7,088.66	$ -	$ 7,088.66	$ -	$ -	$ 7,08
28	Maintenance	1,980.35	-	1,980.35	-	-	1,98
29	Total Distribution Expenses	$ 9,069.01	-	$ 9,069.01	-	-	$ 9,06
30							
31	**Customer's Accounting & Collecting Expense:**						
32	Total	$ 30,760.08	$ -	$ 30,760.08	$ -	$ 25,964.82	$ 4,79
33							
34	**Sales Promotion Expenses:**						
35	Total	$ 32,724.40	$ -	$ 32,724.40	$ -	$ 30,791.02	$ 1,93
36							
37	**Administrative and General Expenses:**						
38	Total Before Credits	$ 847,847.69	$ 94,000.00	$ 941,847.69	$ 148,703.77	$ 789,722.71	$ 3,41
39	less: Dupl. Chg's. & Exp's. Transferred	* 10,967.61	-	* 10,967.61	-	* 10,279.14	* 68
40	Total	$ [illegible]	$ [illegible]	$ [illegible]	$ 148,703.77	$ 779,443.57	$ 2,73

PANHANDLE EASTERN PIPE LINE COMPANY AND SUBSIDIARIES
ALLOCATION OF ADJUSTED 1941 COST AS
PROPORTIONAL TO MAXIMUM DAY'S SALES AND ANNUAL SALES

EXHIBIT 263
WITNESS: Shattuc

Line No.		1941 Costs (A)	Adjustments (B)	Total to Be Allocated (C)	Allocated as Proportional To: Maximum Day's Sales (D)	Annual Sales (E)	Other (F)
1							
2	Other Revenue Deductions:						
3	Miscellaneous	$ 11,449.33	$ -	$ 11,449.33	$ -	$ 10,986.94	$ 462.39
4							
5	Total Operating & Maintenance Expenses	$ 3,829,611.53	$ 389,000.00	4,218,611.53	665,370.41	3,534,250.04	18,991.08
6							
7	Depreciation, Depletion, & Amortization:						
8	Depletion of Prod. Leaseholds	$ 90,177.06	$ -	$ 90,177.06	$ -	$ 90,177.06	$ -
9	Amort. of Non-Prod. Leaseholds	74,685.45	-	74,685.45	-	74,685.45	-
10	Depreciation of Gas Plant	2,242,521.00	-	2,242,521.00	2,094,360.09	144,420.11	3,740.80
11	Depreciation of Gasoline Plant	66,000.00	-	66,000.00	-	66,000.00	-
12	Amort. of Sales & Purchase Cont.	230,173.96	*230,173.96	0.00	-	-	-
13	"	62,854.64	* 62,854.64	0.00	-	-	-
14	"	39,114.09	-	39,114.09	-	39,114.09	-
15		$ 2,805,526.20	$*293,028.60	$ 2,512,497.60	$2,094,360.09	$ 414,396.71	$ 3,740.80
16							
17	Taxes:						
18	Gross Production & Sales	$ 52,810.58	$ -	$ 52,810.58	$ -	$ 52,810.58	$ -
19	Ad Valorem	633,270.40	-	633,270.40	587,935.87	40,542.10	4,792.43
20	Franchise	8,035.14	-	8,035.14	-	8,035.14	-
21	"Payroll"	44,178.93	-	44,178.93	22,007.86	22,007.86	164.41
22	Capital Stock - Federal	116,095.50	-	116,095.50	57,675.00	57,675.00	745.50
23	" " - State	7,962.39	-	7,962.39	3,981.19	3,981.20	-
24	Income - State	39,034.37	-	39,034.37	17,500.00	17,500.00	4,034.37
25		$ 901,387.31	-	$ 901,387.31	$ 689,099.32	$ 202,551.28	$ 9,736.71
26	Income - Federal	1,922,068.72	39,000.00	1,961,068.72	975,854.00	975,853.99	9,360.73
27	Excess Profits - Federal	994,278.91	*221,000.00	773,278.91	385,378.30	385,378.30	2,522.31
28	Charges in Lieu of Inc. & Excess P	823,881.49	-	823,881.49	411,940.75	411,940.74	-
29		$ 4,641,616.43	$*182,000.00	$ 4,459,616.43	$2,462,272.37	$1,975,724.31	$21,619.75
30							
31	Other Utility Revenues:						
32	Gasoline Sales - Cr.	$* 735,077.94	$ -	$* 735,077.94	$ -	$* 735,077.94	$ -
33	Miscellaneous - Cr.	* 12,309.09	-	* 12,309.09	-	* 11,645.35	* 663.74
34		$* 747,387.03	-	$* 747,387.03	-	$* 746,723.29	$* 663.74
35							
36	TOTAL COST:	$10,529,367.13	$* 86,028.60	$10,443,338.53	$5,222,002.87	$5,177,647.77	$43,687.89
37							
38	*Denotes Negative Figure						

4/23/42

(Exhibit 264.)

Schedule 12.

Gas Contract

Between

Panhandle Eastern Pipe Line Company

and

Detroit City Gas Company

Dated August 31, 1935

TABLE OF CONTENTS

ARTICLE III—TERM AND CANCELLATION OF AGREEMENT

ARTICLE IV—QUALITY OF GAS

ARTICLE V—MEASUREMENTS

ARTICLE VI—METERING EQUIPMENT

ARTICLE VII—RATE AND COMPUTATION OF BILLS

ARTICLE VIII—BILLING

ARTICLE IX—PAYMENTS

ARTICLE X—OPERATIONS BY SELLER

ARTICLE XI—BUYER'S FACILITIES

ARTICLE XII—PLACE AND POINT OF DELIVERY

ARTICLE XIII—POSSESSION OF GAS

Gas Contract

Panhandle Eastern Pipe Line Company

and

Detroit City Gas Company

Agreement made and entered into this 31st day of August, 1935, by and between Panhandle Eastern Pipe Line Company, a corporation of the State of Delaware

(hereinafter called Seller), party of the first part, and Detroit City Gas Company, a corporation of the State of Michigan (hereinafter called Buyer), party of the second part.

Buyer represents that it owns and operates a gas distribution system in and adjacent to the City of Detroit, Michigan through which it is engaged in the distribution of gas to the public, and that it desires to obtain a supply of natural gas.

Seller represents that it owns, directly or through subsidiaries, natural gas production facilities and gas purchase contracts in the States of Texas and Kansas and a natural gas transmission pipe line extending from its production area to a point on the Illinois-Indiana state line; that subject to the provisions hereof it will be able to have available at said eastern terminus of its pipe line at the Illinois-Indiana state line, sufficient quantities of natural gas to fulfill the requirements of this Agreement; and that, likewise subject, it contemplates constructing or arranging for the construction of a pipe line to connect the eastern terminus of its pipe line with Buyer's distribution system at or near the City of Detroit.

Now, Therefore, in consideration of the mutual convenants and agreements of the parties hereto as herein set forth, the parties hereto covenant and agree as follows:

Article I.

Definitions

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used and shall be construed to have meanings as follows:

1. The "Effective Date" of this Agreement shall mean the first day of the calendar month immediately following the date when Buyer shall notify Seller in writing of the completion of the necessary adjustments to all of its customers appliances.

2. The "Date of Initial Delivery" shall mean the date on which Seller shall notify Buyer of the completion of a connecting pipe line from the eastern terminus of its exist-

ing pipe line at the Illinois-Indiana state line to the Buyer's River Rouge plant, and is ready to begin delivery of gas under this contract, which Seller agrees shall not be earlier than July 1, 1936, nor later than September 1, 1936.

3. The term "day", wherever used in this Agreement, shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven o'clock A. M. Standard Time or Daylight Saving Time, whichever shall be in effect at the place of delivery.

4. The term "month", wherever used in this Agreement, shall mean the period beginning at seven o'clock A. M. Standard Time or Daylight Saving Time, whichever shall be in effect at the place of delivery, on the first day of a calendar month and ending at seven o'clock A. M. Standard Time or Daylight Saving Time, whichever shall be in effect at the said place of delivery on the first day of the next succeeding calendar month.

5. The term "Special Industrial Customer" shall mean an industrial customer for the gas supply for whom Seller and Buyer make specific agreement outside of that provided for in Article VII, Section 2 hereof.

Article II.

Scope of Agreement

1. Commencing with the Date of Initial Delivery Buyer will proceed with due diligence to make necessary adjustments of all of its customers appliances and will complete them within six months. Buyer will notify Seller in writing when the adjustment of all of its customers appliances is completed.

2. Commencing with the Effective Date of this Agreement, and for the period provided in Article III hereof, Seller agrees to sell and deliver to Buyer, and Buyer agrees to buy from Seller, all of the natural gas requirements of Buyer for distribution and sale to any and all of its present and future customers and for its own use, but not in excess of ninety million cubic feet or its equivalent, nine hundred twelve thousand six hundred therms, per day which represents all of the gas Seller now believes it can safely contract to furnish Buyer at this time.

3. In consideration of the covenant in the last preceding paragraph, Seller agrees that if at any time in the future, while this Agreement remains in force, Seller, its assignee, or any successor corporation carrying out the terms of this Agreement, has additional gas which it desires to distribute in the territory served by Buyer, Buyer shall, for the balance of the period during which this Agreement shall remain in force, have the right to purchase such gas in such amount as it is willing to take under a firm commitment and at such price and under such terms and conditions as Seller could otherwise obtain for such gas.

The Seller further agrees that if, during the period that this Agreement shall remain in force, it should sell and deliver natural gas at a price less than that charged Buyer under this Agreement to another or others than Buyer for use or resale within the territory now served by Buyer with gas purchased hereunder, it will simultaneously reduce the contract price to Buyer hereunder to the lowest price obtained by it for gas sold to such party or parties. If conditions of sale be different, the amounts being substantial, Seller shall grant Buyer the right to change this Agreement to conform to such conditions in order to obtain such lower price.

4. Seller shall not be required to supply hereunder more than 90 million cubic feet or its equivalent nine hundred and twelve thousand six hundred therms of natural gas in any one day. Buyer agrees to take and pay for not less than the following annual amounts of natural gas, commencing with the Effective Date hereof:

First Year	81,120,000 therms
Second Year	101,400,000 therms
Third Year	121,680,000 therms
Fourth Year	141,960,000 therms
Fifth year and each year thereafter	152,100,000 therms

Buyer agrees that it will not take on its maximum day more than twice the number of therms which it takes on the average day of the twelve month period to which said maximum day applies in the computation of demand

charge. The term "maximum day" is understood to be that day during either December, January, February or March of the said twelve months period upon which the greatest number of therms has been taken.

5. In the event that Buyer shall have a prospective Special Industrial Customer and shall desire to purchase natural gas to serve such customer, the parties hereto will endeavor to negotiate a separate contract to cover the price at which Seller will furnish such gas to Buyer. Each such separate contract shall depend upon Seller's having available a sufficient supply of natural gas and shall include a provision for the temporary curtailment or discontinuance of service thereunder in the event of an insufficiency of Seller's supply for other deliveries under this Agreement.

It is agreed that if Seller shall refuse ~~to~~ furnish Buyer up to 20,800,000 therms of gas per year to serve such Special Industrial Customers at a price not less than the commodity charge specified in Article ~~VII~~, Section 2, then Buyer's obligation to take the minimum quantities specified in the next preceding Section of this Agreement shall be reduced by such quantities as Seller shall fail to supply Buyer for such industrial customers, but not to exceed 20,800,000 therms per year.

6. Except as otherwise provided in Section 5 of this Article II, all gas sold by Seller to Buyer shall be governed by all the provisions of this Agreement.

7. Inasmuch as the carrying out of this Agreement depends upon the construction of a pipe line connecting the eastern terminus of Seller's existing pipe line at the Illinois-Indiana state line with the city of Detroit, as well as on the reinforcement of the present pipe line of Seller, since the present line of Seller is inadequate to deliver the quantity of gas called for by this Agreement without reinforcements requiring the expenditure of a large sum of money, and Seller represents that its financial position is such that it cannot construct either said connecting line or said reinforcement without outside financing, it is expressly understood and agreed that, unless the construction of such connecting line shall have been financed on or before February 1, 1936, and unless a contract shall be entered into providing for the financing of said reinforcement of Sell-

er's present pipe line before said date, this Agreement shall be null and void and no obligations hereunder shall exist on the part of either party hereto. Seller agrees to use its best efforts to arrange for financing the construction of such connecting pipe line and such reinforcement of its present pipe line, but does not undertake any firm commitment to do so. If such financing shall be arranged by said date, Seller will construct and place said connecting pipe line in condition for operation on or before the Date of Initial Delivery.

Recognizing the desire of Buyer to obtain a supply of natural gas at the earliest possible moment, as well as the importance thereof to Buyer, Seller agrees that as soon as it becomes apparent to it that it will be unable to finance the construction of the connecting pipe line or construct the same, or that a contract cannot be made for financing the reinforcement of Seller's pipe line, whereby this Agreement would become null and void, it will give to Buyer written notice of such facts and a release of Buyer from any liability hereunder leaving Buyer then free to obtain or contract for a supply elsewhere.

8. In the event that an adequate supply of natural gas sufficient to meet all of Buyer's requirements for the unexpired term of this Agreement is developed by responsible parties other than Seller and is made available to Buyer in its served territory by the actual construction of a pipe line thereto, or in the event that such a supply is similarly made available to a competitor serving and distributing gas in such territory at a schedule of rates which applied to the deliveries of gas to Buyer hereunder during the preceding twelve months would result in a lower amount than under the rates provided by this Agreement, then and in that event Buyer may give notice to Seller of such available gas and with such notice shall furnish to Seller the rate schedules aforesaid, together with other data and particulars pertinent under this Article, and Seller shall have six months after date of receipt of such notice and rate schedules, data and particulars, within which to meet such lower obtainable price of gas, and in the event of the failure of Seller to agree to modify this Agreement accordingly within said six-months period Buyer shall have the option to terminate this

Agreement at any time within twelve months after expiration of said six months period upon six months written notice to Seller.

Article III.

Term of Agreement.

The term of this Agreement shall be for a period of fifteen (15) years beginning with the Effective Date and from year to year thereafter, after the expiration of said fifteen (15) year period, until cancelled on eighteen (18) months' notice in writing given by either party to the other.

Article IV.

Quality

1. Seller agrees that the gas delivered hereunder shall be natural gas (a) except that said natural gas shall at all times comply with the requirements as to purity expressed in this Agreement; (b) that Seller may extract or permit the extraction of moisture, helium, natural gasoline, butane, propane, and/or other hydro-carbons (excepting methane) from said natural gas, or may enrich said natural gas to the extent required to meet the gross heating value requirement hereof before delivery thereof to Buyer; and (c) that Seller may subject or permit the subjection of the gas to compression, cooling, cleaning and other processes to such an extent as may be required in its transmission from the wells to the point or points of delivery.

The gas delivered hereunder is assumed but not guaranteed to have a gross heating value of 1014 British thermal units per cubic foot. In no event shall the gross heating value of the gas delivered hereunder fall below 950 British thermal units per cubic foot nor exceed 1100 British thermal units per cubic foot, and the variation in gross heating value shall not be more than 100 British thermal units per cubic foot in any six months period.

2. Seller agrees that the gas delivered hereunder—

(a) shall be commercially free from solid and/or liquid matter, dust, gums and or gum forming constituents;

(b) shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet and that

this purity requirement shall be determined by quantitative test after presence of H2S has been indicated by qualitative test which shall consist of exposing a strip of white filter paper recently moistened with a solution of one hundred (100) grains of lead acetate in one hundred (100) cubic centimeters of water, to be exposed to the gas for one and one-half minutes in an apparatus previously purged, through which the gas is flowing at the rate of approximately five cubic feet per hour, the gas not impinging from a jet upon the test paper, and after this exposure the test paper is found not distinctly darker than a second paper freshly moistened with a solution not exposed to the gas;

(c) shall not contain more than twenty (20) grains of total sulphur per hundred (100) cubic feet;

(d) shall not contain an amount of moisture at any time exceeding that ~~corresponding~~ to saturation at the temperature and pressure of the gas in the main pipe line at a point approximately fifty (50) feet in advance of Seller's meter inlet header, and that the water shall not be present in liquid phase; provided that if Buyer or any purchaser from Buyer shall at any time be required by a duly constituted public regulatory authority to deliver to its customers gas containing less hydrogen sulphide and/or less total sulphur than above specified, Seller shall upon reasonable notice from Buyer cause the gas delivered hereunder to conform to such new requirement at Seller's expense.

3. Seller agrees that if the gas offered for delivery by it hereunder shall fail at any time to conform to any of the specifications hereinabove set forth, then Buyer may at its option refuse to accept delivery of or accept delivery of such gas and itself make changes necessary to bring such gas in conformity with such specifications, and Seller shall reimburse Buyer for any reasonable expense incurred by Buyer in effecting such changes, or for any reasonable expense otherwise incurred by Buyer by reason of the failure of the gas to conform to such specifications.

Article V.

Measurements.

1. The sales unit of the gas deliverable under this Agreement shall be the therm, consisting of one hundred thousand (100,000) British thermal units.

2. The number of therms delivered shall be determined by multiplying the number of cubic feet of gas delivered, measured on the measurement basis hereinafter specified and corrected to saturated conditions, by the gross heating value of such gas in British thermal units per cubic foot, and by dividing the product by one hundred thousand (100,000).

3. Measurements of volume and heat value of gas hereunder shall be at the following points:

Volume

(1) The volume of gas delivered by Seller hereunder shall be measured at the meter or meters of Seller, which, together with building and with all other collateral equipment required for the final determination of volume, Seller agrees to install and maintain and which will be operated by Seller at the Place of Delivery.

Heat Value

(2) The heat value of gas delivered by Seller hereunder shall be determined by a calorimeter or calorimeters of Seller which Seller agrees to install and maintain and which shall be operated by Seller at the Place of Delivery. Provided, however, that Buyer shall install and operate, at its own expense, meters to determine the volume of gas delivered each day to each of Buyer's Special Industrial Customers, the measurements to be corrected to the measurement basis specified in Section 4(a) of this Article V.

4. The measurement of volume and heat value of gas hereunder shall be made in the following manner:

Volume

(a) The unit of volume for the purpose of measurement and for the determination of gross heating value shall be one (1) cubic foot of gas saturated with moisture

at thirty (30) inches of mercury pressure and at sixty (60) degrees Fahrenheit temperature.

(b) The average absolute atmospheric (barometric) pressure shall be assumed to be fourteen and four tenths (14.4) pounds to the square inch, irrespective of actual elevation or location of the Place of Delivery above sea level or variations in such barometric pressure from time to time.

(c) The temperature of the gas passing the meters shall be determined by the continuous use of a recording themometer so installed that it may properly record the temperature of the gas flowing through the meters. The arithmetic average of the temperature recorded each twenty-four (24) hour day shall be used in computing measurements.

(d) The specific gravity of the gas shall be determined monthly by a joint test as near the first of the month as practicable or as much oftener by a joint test as is found necessary in practice. The method of test shall be by Edwards Balance or by such other method as shall be agreed upon by the parties. The regular test at the first of the month shall determine the specific gravity to be used in computations for the measurement of gas deliveries until the end of such month or until changed by subsequent test; any special test to be applicable from the day made until changed by subsequent test. It is provided, however, that by agreement between the parties a suitable continuous method may be adopted.

(e) The relative humidity of the gas delivered hereunder shall be determined by approved methods at the beginning of delivery of gas to Buyer and at such times thereafter as may be agreed upon by both parties.

Heat Value

The gross heating value of the gas per cubic foot, as defined in Section 4 (a) above, shall be determined by taking the arithmetic average of the daily record of a recording calorimeter of a type to be mutually agreed upon, such recording calorimeter to be checked once each day, or at such other intervals as the parties may agree upon by comparison with a manually operated calorimeter of

a type approved by the U. S. Bureau of Standards and operated in accordance with methods recommended by the said Bureau. If upon any test any calorimeter shall be found to be not more than 2% in error, previous readings of such calorimeter shall be considered correct in computing the heat value of gas delivered by Seller to Buyer. If upon any test any calorimeter shall be found to be in error by more than 2%, then any previous readings of such calorimeter shall be corrected to zero error for any period which is definitely known and/or agreed upon, but in case the period is not definitely known or agreed upon, such correction shall be for a period extending over one-half the time elapsed since the date of last calibration, not exceeding a correction period of four (4) days.

Article VI

Metering Equipment

1. Buyer shall provide in all contracts with Special Industrial Customers that Seller shall have the right at all times during business hours to inspect the measuring and recording equipment of Buyer pertaining to sales to such Special Industrial Customers.

2. Each party shall have the right to be present, at its election, at the time of any installing, reading, cleaning, changing, repairing, inspecting or adjusting done in connection with the other party's measuring equipment and each party shall advise the other party of any intended major maintenance operation sufficiently in advance in order that the other party may conveniently have its representative present. The records from such measuring equipment shall remain the property of the party owning the meter, but, upon the request of either party, the party owning the meter will submit to the other party such records and charts together with calculations therefrom for the other party's inspection and verification, subject to return within ten days after receipt thereof.

3. The total capacity of the gas measuring equipment installed by Seller shall be sufficient to permit the testing and withdrawal of any individual meter from service without restricting the delivery of gas or interrupting the

measurement of gas. The installation, maintenance and operation of regulating equipment shall be such as not to affect the accuracy of the gas volume determination made from Seller's meters. The meter or meters of Seller shall be so located or protected as to assure freedom from pulsations, vibrations, or surges at the meter or meters from any cause in so far as such protection is obtainable within practicable limits mutually agreed upon to embody the best knowledge and information available.

4. Either party shall have the right to examine and approve, or object to, the plans of the other for the installation by it of such measuring equipment, and none of said installations shall be placed in service for the measurement of gas hereunder unless and until both parties are satisfied, or it shall be determined by arbitration, that such installation has been made in such manner as to permit of accurate determination of the quantity of gas to be delivered hereunder and to permit ready verification of the accuracy of measurement.

5. Seller agrees to provide without expense to Buyer check measuring equipment together with a suitable site for the location of said check measuring equipment which shall be operated by Buyer. Any property of Buyer which may be placed thereon shall be and remain Buyer's property. Such check meters and equipment shall be so installed as not to interfere with the operation of meters of Seller. Seller shall have access to such check measuring equipment at all reasonable hours but the reading, calibrating and adjusting thereof and the changing of charts shall be done only by employees or agents of Buyer. Seller shall have the right to be present, at its election, at the time of any installing, reading, cleaning, repairing, inspecting, calibrating or adjusting done in connection with such check measuring equipment or with Buyer's meters measuring gas to Special Industrial Customers. Charts and records from said check measuring equipment, together with calculations therefrom, shall be available to Seller for inspection and verification, subject to return by Seller within ten (10) days after receipt thereof.

6. If for any reason meters are out of service and/or out of repair so that the quantity of gas delivered is not

correctly indicated by the reading thereof, the gas delivered through the period such meters are out of service and/or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

(a) By using the registration of any check meter or meters if installed and accurately registering;

(b) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation; or

(c) By estimating the quantity of delivery by deliveries during preceding periods under similar conditions when the meter was registering accurately.

7. From time to time, and at least once each month, on a date as near the first of the month as practicable, the accuracy of Seller's measuring equipment shall be verified, at Seller's expense, in the presence of representatives of both Seller and Buyer, and the parties shall jointly observe any adjustments which are made in such measuring equipment. If either party at any time shall notify the other that it desires a special test of any meter, the parties shall cooperate to secure an immediate verification of the accuracy of the measuring equipment and joint observation of any adjustments. Each party shall give to the other notice of the time of all tests of meters sufficiently in advance of the holding of the tests in order that the other party may conveniently have its representative present.

8. If upon any test any meter is found to be not more than two per cent. (2%) fast or slow, previous readings of such meters shall be considered correct in computing the volume of gas delivered by Seller to Buyer; but the meter shall at once be properly adjusted to record accurately. If upon any test any meter shall be found to be inaccurate by an amount exceeding two per cent. (2%), then any previous readings of such meter shall be corrected to zero error for any period which is definitely known and/or agreed upon, but in case the period is not definitely known and/or agreed upon, such correction shall be for a period

extending over one-half of the time elapsed since the date of last calibration, not exceeding a correction period of sixteen (16) days.

9. The meters of Seller shall be read at seven o'clock Standard Time (or Daylight Saving Time whichever shall be in effect), in the morning of each day of each calendar month, or as near to that time as practical operating conditions will permit.

10. Each party hereto shall preserve for a period of at least five (5) years all test data, charts and other records resulting from performance by it of the terms of this Agreement.

Article VII.

Rate and Computation of Bills

1. All gas purchased by Buyer from Seller for resale to Special Industrial Customers shall be paid for at the respective prices agreed upon between Buyer and Seller for such gas.

2. For all gas purchased by Buyer from Seller hereunder, other than gas purchased for resale to Special Industrial Customers, subject to the provisions of Sections 3, 4 and 5 of this Article VII, the price shall be as follows:

Demand Charge:

For each month, a sum equal to thirty-eight cents (38c) multiplied by the maximum daily demand, as hereinafter defined. The term "maximum daily demand" shall mean the greatest number of therms delivered on any one day during the immediately preceding winter period, consisting of the months of December, January, February and March, after deducting the sum of the demands of the Special Industrial Customers provided for herein on said day, except that the demand for each month prior to the expiration of the first winter period shall be billed on the actual maximum daily demand established during the said month.

Commodity Charge:

In addition to the demand charge, the sum of one and one-half cents ($1\frac{1}{2}$c) per therm for the total number of

therms delivered by Seller to Buyer hereunder during such month.

If the total quantity of therms taken in any one year is less than the minimum requirement provided in Section 4 of Article II, then for the therms representing such deficiency Buyer shall pay at the same average rate per therm as it has paid for such gas as it has actually taken in said year.

3. For all gas delivered between the Date of Initial Delivery and the Effective Date, the price shall be at a flat rate of three cents (3c) per therm.

4. If, at the end of any calendar year during the term of this Agreement, it shall be found that by reason of any legislation enacted by the Federal Government, or regulations or orders of any of its governmental agencies, or, as hereinafter limited and defined, by reason of any state or local legislation, or regulations or orders of state or local governmental agencies, there has been a direct increase or decrease in the operating costs of Seller's transmission line, applicable and incidental to the gas delivered to Buyer hereunder, in respect only to the rates of wages, hours of labor, prices of materials and supplies and rates of taxation, as a result of which (computed as hereinafter set out) such operating costs have for such year just passed increased or diminished 20% or more from the costs experienced by Seller during the first twelve calendar months of operation after the Effective Date of this Agreement, then and in such event one-half of one-twelfth of the amount of such increase or decrease shall be added to or deducted from the charge for gas as provided in paragraph 2 of Article VII for each month of the ensuing year.

In computing the amount of any such increase or decrease, applicable to the gas sold to Buyer, the increases or decreases due to national legislation, regulations or orders shall be that proportion of the total amount which the gas sold to Buyer hereunder (other than to Special Industrial Customers) bears to the total gas transmitted by the Seller in its pipe line; and due to State of Michigan and local legislation, regulations or orders shall be that proportion of the total amount which the gas sold to

Buyer hereunder (other than to Special Industrial Customers) bears to the total gas transmitted and sold by Seller in said State and locality respectively.

In the event of the imposition of a production tax or other similar tax in Texas or Kansas or either of them, the increase or decrease due thereto shall be determined by first ascertaining the quantity of gas produced and/or purchased by Seller in such State and delivered to said pipe line and upon which such tax has been paid. Buyer shall be deemed to have received of such gas the same proportion thereof that the gas purchased by Buyer bears to the total gas transmitted by Seller in its pipe line. In general the applicable increase or decrease due to such State legislation, regulations or orders shall be that proportion of the increased cost which the quantity of gas sold to Buyer bears to the total quantity transmitted beyond the boundary line of such State.

Adjustments shall be made thereafter annually, at the close of each calendar year and in the same manner, but if at the end of any calendar year it be found that the increase or decrease for such calendar year, based upon the costs during the first twelve calendar months period of operation, and computed as herein provided, be less than 20%, then the charge for gas set forth in Section 2 of Article VII shall remain in force for the next succeeding calendar year.

In computing increase or decrease in taxation there shall not be considered changes in income taxes, excess profits taxes, capital stock taxes, franchise taxes or general property taxes, or such taxes as by plain provision or intent of the law are to be paid by the party taxed and not passed on to the consumer. Neither shall there be considered any increase or decrease in costs or regulation by any state or national commissions engaged purely in the regulation of utilities or carriers.

As soon as possible after the close of each calendar year Seller shall furnish Buyer with a computation showing the increase or decrease in such operating costs, and such amount as it claims the charges for gas should be increased or decreased for the ensuing year. For the purpose of determining the accuracy of such computation and

the facts upon which it is based, Buyer shall have the right at any reasonable time or times, by its duly authorized agents or accountants, but no more than once a year, to audit the pertinent records and books of account of Seller, and of any successor carrying out this Agreement.

5. As Seller's share in Buyer's cost of changing over its distribution system to adapt it to the distribution of natural gas or mixed gas, Seller will contribute to Buyer the sum of $220,000, by way of twelve equal monthly credits against the monthly bills to be rendered by Seller to Buyer pursuant to Article VIII of this Agreement, and during the first year immediately following the Effective Date.

Article VIII.

Billing

1. On or before the fifth day of each month, Buyer shall render to Seller a statement showing for the preceding calendar month the volume of natural gas shown by its meters to have been delivered by Buyer to each of its Special Industrial Customers.

2. Seller shall, on or before the tenth day of each calendar month, render to Buyer a statement showing the following:

(1) The total number of therms delivered by Seller to Buyer during the preceding calendar month; with complete computation showing procedure by which determined;

(2) The number of therms delivered by Buyer to each of the Special Industrial Customers during the preceding calendar month, in accordance with its aforesaid statement;

(3) The total number of therms delivered by Seller to Buyer for other than Special Industrial Customers during the preceding calendar month, in accordance with its aforesaid statements (1) and (2);

(4) The maximum daily demand applicable to the period; and

(5) The payment then due from Buyer to Seller determined as provided in this Agreement and in any other

Agreements between the parties relating to sales to Special Industrial Customers.

Such statements shall be accompanied by charts showing the basis on which the daily deliveries in therms were computed.

3. Each party shall have the right to examine at reasonable times the books, records and charts of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions of this Agreement.

Article IX.

Payments

1. Buyer agrees to pay Seller at its designated office on or before the twentieth day of each calendar month for natural gas delivered during the preceding month, according to the measurements, computations and prices herein provided and billed by Seller in the statement for said month, excepting that in the event that at any time Buyer shall dispute the correctness of any statement so rendered, then payment shall be made by Buyer for such amounts as it concedes to be correct and such amount as may be in dispute shall be settled by agreement by mutual submission to arbitration, or by court action. Any payment by Buyer shall not prejudice its right to adjustment of any bill to which it has taken exception or may subsequently take exception within a reasonable time after discovery of its right to such adjustment, but in any event within twelve (12) months from date of bill.

2. Should Buyer fail to pay the amount of any bill for gas rendered by Seller as herein provided, when such amount is due, interest thereon shall accrue at the rate of 6% per annum from the due date until the date of payment. If such failure to pay continues for 60 days after payment is due, Seller may, in addition to any other remedy it may have hereunder, suspend further delivery of gas until such amount is paid, provided, however, that if the Buyer shall, in good faith, either dispute the amount of any such bills or parts thereof, or present a counterclaim or offset against the same, and shall at any time

thereafter within thirty (30) days of a demand made by Seller, furnish a good and sufficient surety bond, in amount and with sureties to be approved by Seller, conditioned upon the payment of any amounts ultimately to be found due upon such bills after a final determination, which may be reached either by agreement, arbitration award or judgment of the courts as may be the case, then such bills shall not be deemed to be due within the meaning of this paragraph unless and until default be made in the conditions of such bond.

Except as Seller may question the ability of Buyer to respond in damages, it need not demand or require such bond and it may permit such disputed amounts to accumulate, but in the event Seller shall require Buyer to give bond then Seller shall be obligated to institute appropriate legal action to determine such dispute within one year after the date of the bills in question, or unless by agreement of the parties the matter be submitted to arbitration within such period.

3. If presentation of bill by Seller is delayed after the tenth day of the month, then the time of payment shall be extended correspondingly, unless the delay in the presentation of the bill is occasioned by the delay on the part of Buyer in furnishing a statement of the amount of natural gas delivered to Special Industrial Customers.

4 If it shall be found at any time that Buyer has been overcharged in any form whatsoever under the provisions hereof, and Buyer shall have actually paid the bills containing such overcharges, Seller shall refund such amount or amounts of overcharges within thirty (30) days of the determination thereof, with interest thereon at the rate of six per cent. (6%) per annum from the times respectively when such overcharges were paid until the date of refund, provided, however, that claim therefor shall have been made within sixty (60) days from the date of discovery of any such overcharges, but in any event within twelve (12) months of bill.

Article X.

Operations By Seller

1. Seller agrees that all construction of pipe lines shall be of adequate capacity for the delivery of gas to Buyer

in accordance with the requirements of this Agreement, but not to exceed a maximum amount of 90,000,000 cubic feet of gas per day or its equivalent nine hundred and twelve thousand six hundred therms.

2. In addition to the sources of supply, contracts for the purchase of gas, and transmission facilities which Seller represents it now holds or has available through subsidiaries, Seller agrees at all times to hold or have available through subsidiaries, sufficient gas acreage and gas production facilities to meet the requirements of this Agreement and its other obligations for the sale of gas and to have sufficient gas available and/or to hold long term gas purchase contracts with responsible parties calling for the sale and delivery to it of gas in sufficient quantities for the aforesaid purposes and to own or have available through subsidiaries or contract rights a system of pipe lines which shall be of adequate size for the transmission of gas from the various sources of supply to the Place of Delivery hereunder.

3. It is further understood and agreed that Buyer is a public utility company operating in the metropolitan area of Detroit, Michigan, and that, inasmuch as one of its most important obligations is to supply the City of Detroit and its environs with gas, Seller shall operate its pipe line, or cause the same to be operated in such manner as to assure, as nearly as is reasonably possible, continuous supply of gas in the quantity and of the quality required by this Agreement.

Article XI.

Buyer's Facilities

1. Buyer agrees to make such changes in its distribution system as may be necessary to enable it to distribute natural gas and agrees to proceed to make such changes in time to be prepared to receive deliveries of natural gas on the Effective Date.

2. Buyer agrees to give Seller notice at all times, as far in advance as operating conditions will permit, of the estimated daily, monthly and annual quantities of natural gas required hereunder and the anticipated peak hourly

demands. Buyer shall use its best judgment and experience in arriving at such estimates, but shall not be bound by the quantities thereof.

3. Buyer agrees that it will, subject to temporary or permanent outage resulting from either unavoidable deterioration or casualty, maintain in operation the storage holders which it now has, and will operate the same each day so as to assist in leveling the peak demands for natural gas to be delivered by Seller hereunder, subject, however, to the right of Buyer to keep at all times in its holders a reserve of gas of sufficient quantity to insure safe and adequate service to its customers as determined by Buyer; and Buyer will as nearly as practicable, with such storage capacity, take natural gas in equal and uniform hourly volumes. Subject to the aforesaid use by Buyer of holder capacity, Seller agrees to deliver to Buyer natural gas in accordance with the hourly and daily demands of the markets of Buyer up to but not to exceed a maximum daily demand of 90,000,000 cubic feet, or its equivalent nine hundred and twelve thousand six hundred therms.

4. Inasmuch as interruptions in the delivery of gas hereunder may from time to time occur due to force majeure, as herein defined, or otherwise, and Buyer serving the large population and industries within the metropolitan area of Detroit, being in duty bound to maintain its present water gas generating plants in good operating condition to effect continuity of service during such periods of interrupted service on the part of Seller, and because, in order to furnish gas of substantially the heat equivalent of natural gas it will be necessary for Buyer to make large expenditures on such generating equipment, Seller recognizes and agrees that notwithstanding the covenant that Buyer will purchase from Seller all its natural gas requirements, Buyer may use its present generating plants from time to time to manufacture gas substantially equivalent in heat units to natural gas, to assist in leveling those peak demands which would otherwise increase the cost of gas under this Agreement, provided, however, that Buyer shall pay for the minimum requirements specified in Section 4 of Article II; pro-

vided, further, that nothing in this Section contained shall limit Seller's obligation to furnish Buyer's requirements for gas as elsewhere herein provided.

Article XII.

Place and Point of Delivery

The Place of Delivery for all gas to be delivered by Seller to Buyer hereunder shall be at Buyer's River Rouge plant, Greenfield and Allen Roads, in Melvindale, Michigan, except in the case of such Special Industrial Customers as shall be served directly from some other point on Seller's pipe line, as may be agreed on by the parties. The Point of Delivery shall be the outlet side of Seller's meters at the Place of Delivery and before passing through Buyer's regulators.

Article XIII.

Possession of Gas

1. As between the parties hereto, Seller shall be in control and possession of the gas deliverable hereunder and responsible for any damage or injury caused thereby until the same shall have been delivered to Buyer at the Point of Delivery, after which Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby.

2. Each party shall indemnify and save harmless the other party on account of any and all damages, claims or actions arising out of the maintenance or operation of the property and/or equipment of the indemnifying party, the Point of Delivery of the gas as hereinbefore specified to be the point of division of responsibility between the parties.

Article XIV.

Pressure

Seller agrees to furnish gas hereunder at such pressures as Buyer may require, up to but not exceeding 100 pounds to the square inch gauge pressure, at the Point

of Delivery. Buyer agrees to install, operate and maintain at the Point of Delivery such regulating devices as may be necessary to regulate the pressure of the gas delivered hereunder. Seller agrees to use due care and diligence to furnish gas to Buyer at a uniform pressure.

Article XV.

Force Majeure

1. Neither party shall be liable in damages to the other for any act, omission or circumstance occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated, or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. Such causes or contingencies affecting the performance of this Agreement by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting the performance of this Agreement relieve either party from its obligations to make payments of amounts then due hereunder; nor shall such causes or contingencies relieve either party of liability unless such party shall give notice and full particulars of the same in writing or by telegraph to the other party as soon as possible after the occurrence relied on.

Article XVI.

Warranty of Title to Gas.

Seller agrees that it will and hereby does warrant generally the title to all gas delivered under this Agreement

and the right to sell the same and that such gas shall be free and clear from all liens and adverse claims and that it will indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to said gas and/or to royalties, taxes, license fees or charges thereon, which are applicable before the title to the gas passes to Buyer or which may be levied and assessed upon the sale thereof to Buyer. In the event any adverse claim of any character whatsoever is asserted in respect of any of said gas, Buyer may retain the purchase price thereof up to the amount of such claim without interest until such claim has been finally determined, as security for the performance of Seller's obligations with respect to such claim under this Section, or until Seller shall have furnished bond to Buyer, in an amount and with sureties satisfactory to Buyer, conditioned for the protection of Buyer with respect to such claim.

Article XVII.

Patents

In case Buyer should wish to use gas purchased hereunder for reforming, Seller will undertake to secure for Buyer, without cost to Buyer, the right to use in the area now served by Buyer, necessary processes covered by patents which Seller can control.

Article XVIII.

Remedies

1. In the event that:

(a) Seller should be unable to, or fail, for a period longer than ninety (90) days to deliver gas of a standard and British thermal unit content as provided in this Agreement or which would meet the approval of any governmental agency having jurisdiction over Buyer, Buyer may by written notice to Seller cancel and terminate this

Agreement in five days, on condition that at least sixty (60) days before said notice be given, Buyer shall have notified Seller that the gas delivered, or sought to be delivered, is below standard or unacceptable to the regulatory body and that said condition has then pertained for a period of thirty (30) days.

In the event that:

(b) Seller should, for a period of five (5) consecutive days, fail to deliver to Buyer and material portion of the gas which under this Agreement it is bound to deliver, or

(c) there should be a deficiency in deliveries, caused by the failure or inability of Seller to deliver the quantity of gas which Buyer desires and is entitled to demand under this Agreement on any day of each seven (7) day period over a period of six (6) consecutive seven (7) days periods, commencing with the day on which such deficiency first occurred,

Buyer may, within two (2) weeks of the last day of any such periods provided in (b) and (c), by written notice cancel and terminate this Agreement, to be effective six (6) months from the delivery of such notice, on condition that Buyer shall have notified Seller in writing of each such daily deficiency or deficiencies within forty-eight (48) hours after the same shall have occurred.

If by reason of any of the causes enumerated in Section 1, Article XV, either party is effectively prevented or prohibited from further carrying out this Agreement, or if by reason of any order of court or governmental agency resisted by all reasonable legal means, Buyer is prevented from selling and distributing gas within the City of Detroit, then either party may by five (5) days written notice to the other party, cancel and terminate this Agreement, without liability of any kind from one to the other, excepting for such transactions and dealings as were had and completed prior to the effective date of such cancellation.

In the event that Buyer shall fail to pay any bill rendered it by Seller for gas delivered under this Agreement within sixty (60) days after the same became due, Seller may, in addition to all other remedies which it may have at law in addition to those provided herein, at any time thereafter by written notice to Buyer, cancel and terminate this Agreement, to be effective six (6) months from the delivery of such notice, provided that this remedy shall not be available or effective in case of default in the payment of disputed bills as elsewhere provided herein.

2. Any cancellation of this Agreement pursuant to the provisions of this Article XVIII shall be without prejudice to the right of Seller to collect any amounts then due it for gas delivered prior to the effective date of the cancellation, subject to any proper counter-claims or set-offs of Buyer, and without waiver of any remedy to which the party not in default may be entitled for violation of this Agreement.

3. The remedies herein specifically provided for are cumulative, and in addition to all rights and remedies for specific performance or for damages, including loss of return and profits, or otherwise, which either party may have at law or in equity for breach by the other party of any agreement, condition or covenant contained herein, which rights and remedies neither Buyer nor Seller shall in anywise be deemed to have waived either by the expressed provisions for the foregoing remedies or by the exercise of any thereof; provided, however, that in the event that this Agreement be cancelled or terminated by reason of any of the causes enumerated in Section 1 of Article XV hereof, or by reason of any order of court or governmental agency prohibiting the Buyer from distributing natural gas within the City of Detroit which has been resisted by all reasonable legal means, there shall be no liability upon the part of either party to the other, excepting such liability as remains unsettled between the parties arising from the sale of gas and such transactions as were had and completed between the parties prior to cancellation.

4. If Seller shall at any time fail to deliver gas in volumes and/or at such pressures as Buyer may require

up to the limits otherwise herein provided, Seller shall, unless relieved by the terms of Article XV hereof, reimburse and indemnify Buyer for any expenses, loss or damage which it may sustain by reason of such failure, including the expense of putting into operation any gas manufacturing equipment, and/or obtaining manufactured gas or natural gas to remedy such deficiency.

Article XIX.

Miscellaneous

1. There shall be no modification of the terms and provisions hereof except by the formal execution of supplementary written contracts.

2. No waiver by either party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

3. Seller may assign its rights and obligations hereunder to a corporation to be formed for the purpose of carrying out this Agreement. Either Seller or Buyer may assign the rights and obligations of this Agreement to a corporation which shall receive the assets of such assignor and obligate itself to carry out the provisions hereof binding on such assignor, in which event the assignor shall be released hereunder, but otherwise neither party shall assign this Agreement or any of its rights hereunder unless it shall first have obtained the consent thereto of the other party.

4. Any notice, request, demand, statement or bill provided for in this Agreement shall be in writing and shall be duly delivered when mailed by registered mail to the Post Office address of either of the parties hereto, as the case may be, as follows:

Seller: Panhandle Eastern Pipe Line Company, 101 West 11th Street, Kansas City, Mo.

Buyer: Detroit City Gas Company, 415 Clifford Street, Detroit, Michigan.

or at such other address as either party shall designate for the purpose.

5. This Agreement shall be binding on any company which shall succeed by purchase, merger or consolidation to the properties of the Seller or Buyer, as the case may be.

6. Buyer will adopt and use schedules and forms of rates which will in its judgment tend to stimulate sales of natural gas for domestic, industrial and commercial purposes and for house heating. Buyer will make every reasonable effort to increase and build up the sales of natural gas throughout its gas distribution system and Seller will cooperate with Buyer in accomplishing this result. Buyer agrees to make such reasonable extensions to its distribution system as would be susceptible of earning a reasonable return on the investment.

In Witness Whereof, the parties hereto have caused this Agreement to be signed by their respective Presidents or Vice-Presidents thereunto duly authorized, and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

PANHANDLE EASTERN PIPE LINE COMPANY,
By B. R. Bay, President.

(Corporate Seal)

Attest: N. F. Paxton, Assistant Secretary.

DETROIT CITY GAS COMPANY,
By Wm. G. Woolfolk, President.

(Corporate Seal)

Attest Chas. S. Ritter, Secretary.

Approved as to form: James O. Murfin, Park Chamberlain.

(Exhibit 264)

Supplement 2 of Schedule 12.

Supplemental Gas Contract

Between

Panhandle Eastern Pipe Line Company

and

Detroit City Gas Company

Dated June 2, 1936.

Supplemental Gas Contract

Panhandle Eastern Pipe Line Company

and

Detroit City Gas Company.

Agreement made this 2nd day of June, 1936, by and between Panhandle Eastern Pipe Line Company, a corporation of the State of Delaware (hereinafter called Seller), party of the first part, and Detroit City Gas Company, a corporation of the State of Michigan (hereinafter called Buyer), party of the second part.

Whereas, under date of August 31, 1935, the parties entered into a contract (hereinafter called the Gas Contract) whereby, among other things, Seller agreed to sell and deliver to Buyer and Buyer agreed to buy and take from Seller all of the natural gas requirements of Buyer for distribution and sale to any and all of its present and future customers and for its own use, within the limits therein specified;

Whereas Seller is making large investments in extensions, additions and reinforcements of its existing pipe line system in order to enable it to comply with and meet the requirements of the Gas Contract, and desires Buyer to create as rapidly as possible a market for natural gas larger than that which now exists;

Whereas Buyer now represents that, under the conditions hereinafter provided, it will be able to obtain within the near future a substantial number of additional

househeating customers and thereby increase its natural gas requirements under the Gas Contract, but that the obtaining of such househeating customers will involve it in considerable expense;

Whereas Seller desires Buyer to increase its natural gas requirements under the Gas Contract through the acquisition of additional househeating customers;

Whereas Buyer contemplates maintaining and operating the storage holders and the water gas generating plants which it now has to assist in leveling peak demands for natural gas to be delivered by Seller, as set forth in Sections 3 and 4 of Article XI of the Gas Contract; and

Whereas, upon condition that Buyer shall sell and distribute gas having a heating value approximately equal to the heating value of the natural gas delivered by Seller to Buyer, the parties hereto have concluded to enter into this Supplemental Contract;

Now, Therefore, in consideration of the mutual covenants and agreements of the parties as herein set forth, the parties hereto covenant and agree as follows:

Article I

Definitions

Except where the context otherwise indicates another or different meaning or intent, the following terms are intended and used and shall be construed to have meaning as follows:

1. The term "Househeating Customer" shall mean a customer of Buyer who uses no other kind of fuel than gas for his space heating purposes and who purchases gas from Buyer under Buyer's rate schedule applicable to such customers.

2. The term "Househeating Purposes" shall apply to that portion of the gas sold by Buyer to its Househeating

Customers which shall be used by them for space heating purposes.

3. The term "Average Number of Househeating Customers" served during any calendar month shall mean one-half of the total number of Househeating Customers actually receiving househeating service on the last day of the calendar month preceding the calendar month in question plus one-half of the total number of Househeating Customers actually receiving househeating service on the last day of the calendar month in question.

4. The term "Winter Period" shall mean a period consisting of the four consecutive months of December, January, February and March.

5. The term "Total Measured Deliveries" for any given day shall mean the total number of therms of natural gas delivered by Seller to Buyer on that day at the Point of Delivery specified in the Gas Contract, exclusive of gas sold by Seller to Buyer and resold to Special Industrial Customers.

6. The term "Degree Day Deficiency" for any day shall mean the number of degrees the mean outside temperature for that day is below 65° Fahrenheit. The term "Degree Day Deficiency" for any other period shall mean the sum of the Degree Day Deficiencies for that period. The outside temperature shall be the 24-hour mean of outside temperature reported by the United States Weather Bureau at Detroit, Michigan.

7. The term "Factor K" shall mean the number of therms of gas which the average Househeating Customer is deemed to take for Househeating Purposes per unit of Degree Day Deficiency and shall be fixed for the purposes of this contract at .31 until changed as hereinafter provided.

8. The term "Househeating Daily Delivery of Buyer" shall mean the number of therms of gas calculated to have been sold by Buyer for Househeating Purposes on any given day during a month, determined by multiplying the

Degree Day Deficiency for that day by the Factor K, and multiplying this product by the Average Number of Househeating Customers served during that month, determined as described in Section 3 of this Article I.

In order to limit the extent of the application of the special rate for Househeating Purposes herein provided for, it is agreed that the Average Number of Househeating Customers used as a factor for the purpose of the computations to be made under this Section shall not exceed 6,000 in connection with each of the months prior to May, 1937, 10,000 in connection with each of the months after April, 1937 and prior to May, 1938, 13,000 in connection with each of the months after April, 1938 and prior to May, 1939, 16,000 in connection with each of the months after April, 1939 and prior to May, 1940 and shall never exceed 20,000, even if the actual Average Number of Househeating Customers in any month is greater than 20,000.

9. The term "Base Load" for any given day shall mean (a) the total number of therms of gas (other than gas sold to Special Industrial Customers) sent out by Buyer on that day minus the Househeating Daily Delivery of Buyer for that day or (b) the Total Measured Deliveries for that day, whichever shall be less.

10. The term "Househeating Daily Delivery of Seller" shall mean the number of therms, if any, by which the Total Measured Deliveries for any given day exceed the Base Load for that day.

11. The term "Base Load Maximum Demand" shall mean the Base Load delivered on that day of the preceding Winter Period on which the delivery of Base Load was a maximum.

12. Prior to the end of the first Winter Period following the "Effective Date" of the Gas Contract, the "Base Load Maximum Demand" shall mean the Base Load delivery on that day on which the delivery of Base Load was a maximum.

Article II

Billing Basis

1. From the "Effective Date," as defined in the Gas Contract, until the date of termination of this Supplemental Gas Contract, as hereinafter set forth, the Demand Charge for each month, in lieu of the Demand Charge set forth in Section 2 of Article VII of the Gas Contract, shall be an amount equal to 38c multiplied by the sum of (a) the established Base Load Maximum Demand, and (b) twice the average Househeating Daily Delivery of Seller for the current billing month. Monthly payments by Buyer to Seller shall be made on the basis of the modified Demand Charge hereinabove provided and the Commodity Charge as set forth in the Gas Contract; provided, however, that if for any twelve-months' period ending on March 31 in any year (or for a period of less than 12 months commencing on the Effective Date of the Gas Contract and ending on March 31, 1937), the total payments due to Seller for natural gas, other than that purchased for resale to Special Industrial Customers, calculated on the foregoing basis shall exceed the total amount that would have been payable for such period if calculated pursuant to the provisions of the Gas Contract unaffected by this Supplemental Gas Contract, then Seller shall refund to Buyer an amount equal to such excess by credit against the monthly payment due in the succeeding month.

2. On or before June 1st of each year during the life of this Supplemental Gas Contract, a redetermination of the accuracy of Factor K shall be made by two engineers or representatives, one designated by each of the parties hereto. Such redetermination shall be made in the light of the data which Buyer shall procure as to the average number of therms of gas consumed by Househeating Customers per unit of Degree Day Deficiency in the territory served by Buyer during the heating season just ended and during prior heating seasons. If such redetermination discloses that the Factor K is inaccurate, said engineers or representatives shall fix and agree upon the correct value of the Factor to be applied during the ensuing heating season, and such new value shall be binding on both parties during the ensuing heating season, and thereafter until changed as herein provided.

In the event that the said engineers or representatives shall fail to agree, they shall select an impartial engineer whose decision on the question or questions involved shall be final and shall be binding on both parties during the ensuing heating season and thereafter until changed as herein provided.

For the purpose of providing actual operating data by means of which the accuracy of Factor K may be redetermined, Buyer agrees to install in the houses of at least one per cent of its Househeating Customers separate meters for the determination of the amount of gas sold to such customers for Househeating Purposes. Such customers shall be selected in such manner as to give a representative cross section of the consumption of Buyer's Househeating Customers.

4. On or before the fifth day of each month, Buyer shall render to Seller a statement showing for the preceding calendar month all data (other than the total daily and monthly deliveries of natural gas by Seller to Buyer) necessary to enable Seller to make the computations called for by the provisions of this Article II.

5. Representatives of Seller shall have the right at all reasonable times to inspect, audit and check the records of Buyer for the purpose of verifying or correcting any of the statements rendered to Seller by Buyer pursuant to the provisions of Section 4 of this Article II.

Article III

Buyer's Covenant

1. Buyer agrees promptly to inaugurate a campaign and deligently to continue its efforts to induce customers in the territory served by Buyer to install the necessary equipment and to use natural gas for heating their houses.

Article IV

New Special Househeating Customers

1. For Househeating Customers obtained by Buyer, whose premises are heated solely by gas through the means of a central heating system (hereinafter in this

Article IV referred to as "Special Househeating Customers") in addition to those Buyer has obtained prior to May 1, 1936, Seller will pay to Buyer, within the dates and limits hereinafter specified, the amounts set forth in the following table:

Obtained during period		Total payment per new customer	
Commencing	Ending		
May 1, 1936	April 30 1937	$10 00	Not exceeding 5,000 customers
" " 1937	" " 1938	8 00	" " 4,000 "
" " 1938	" " 1939	6 00	" " 3,000 "
" " 1939	" " 1940	4 00	" " 3,000 "
" " 1940	" " 1941	2 00	" " 3,000 "

2. As soon as practicable after the execution of this Supplemental Gas Contract, Buyer shall furnish to Seller a statement of the number of its Special Househeating Customers on May 1, 1936. On or before the 10th day of the month following the rendition of the aforesaid statement, and on or before the 10th day of each calendar month thereafter, to and including the month of May, 1941, Buyer shall furnish to Seller a statement of the total number of new Special Househeating Customers obtained subsequent to the 1st day of May next preceding the month for which such statement is rendered and actually connected to its distribution system on the last day of the preceding calendar month.

3. The payments above specified shall be made per new Special Househeating Customer, by credit against the monthly statement rendered in August following the close of the yearly period in question for natural gas sold by Seller to Buyer under this Agreement. No payments shall be made pursuant to this Section 3 in respect of new Special Househeating Customers obtained after April 30, 1941.

Should Buyer obtain fewer new Special Househeating Customers in any year than the maximum for which Buyer would be entitled for such year to receive the payments above specified, the number for which Buyer would be entitled for the succeeding year to receive the payments for the succeeding year shall be increased by the arithmetic deficit of the previous year. Except as the maximum number of new Special Househeating Customers for which

Buyer would be entitled for any year to receive the payments above specified may be increased as provided in this paragraph, no payments shall be made at any time on account of new Special Househeating Customers obtained by Buyer in any year in excess of the maximum number set forth in the foregoing table.

4. Payments in any year shall be based on the monthly average of the monthly totals of the number of new Special Househeating Customers to whom such payments are applicable. Said average shall be determined from Buyer's records and the monthly statements referred to in Section 2 of this Article IV.

5. Representatives of Seller shall have the right at all reasonable times to inspect, audit and check the records of Buyer for the purpose of verifying or correcting statements of Buyer concerning number of new Special Househeating Customers secured or actually served during any period in question.

Article V

Termination

If Buyer shall fail to sell and distribute gas having a heating value approximately equal to the heating value of the natural gas delivered by Seller to Buyer under the Gas Contract, this Supplemental Gas Contract shall terminate and be automatically cancelled and thereafter all payments for such natural gas shall be made pursuant to the provisions of Article VII of the gas contract. In no event shall the life of this Supplemental Gas Contract exceed the life of the Gas Contract.

Article VI

Miscellaneous Provisions

1. Seller shall not be required, by reason of anything contained herein, to supply in the aggregate hereunder and under the Gas Contract, more than 90,000,000 cubic feet or its equivalent, 912,600 therms, of natural gas in any one day.

2. All of the provisions of the Gas Contract, except in so far as they are inconsistent herewith, shall be applicable

to natural gas sold and purchased for Househeating Purposes hereunder.

In Witness Whereof, the parties hereto have caused this Agreement to be signed by their respective Presidents or Vice-Presidents thereunto duly authorized and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries the day and year first above written.

PANHANDLE EASTERN PIPE LINE COMPANY,
By James L. Harrop,

(Corporate Seal) Vice-President

Attest:

Leith V. Watkins,
Secretary

DETROIT CITY GAS COMPANY,
By Wm. G. Woolfolk,

(Corporate Seal) President

Attest:

Chas. S. Ritter,
Secretary

. . . .

16643

FEDERAL POWER COMMISSION ... C-200
EXHIBIT NO. 266 (FOR IDENTIFICATION)
DATE IDENTIFIED 4/23/42

FINANCIAL STATEMENT

FOR YEAR ENDING

DECEMBER 31 1941

TAX DEPT

C-200

266

4/23/42

Dec. 31, 1941

[fol. 16644].

Columbia System

Financial Statement

Of

Indiana Gas Distribution Corporation

Columbus Group

For period ended December 31, 1941.

Signed—Signature Unreadable,

Treasurer.

Date January 20, 1942.

[fol. 16645] (Exhibit 266.)

1 Assets

Columbia System
Indiana Gas Distribution Corporation
Balance Sheet as of December 31, 1941

	Acc't No.	Summary	Detail on Page		Increase Over Previous Month	Increase Since January First
1		Fixed Capital	x x	197 956 95	940 28	7 050 47
2		Investments In Subsidiary Companies	x x	—	—	—
3		Other Investments	x x	—	—	—
4		Current And Working Assets	x x	39 790 91	*10 303 93	*5 734 31
5		Inter-Company Accounts	x x	422 35	56 95	30 51
6		Special Deposits And Funds	x x	—	—	—
7		Deferred Debits	x x	7 41	7 41	7 41
8		Clearing And Contra Accounts	x x	—	—	—
9						
10		Total Assets		238 177 62	*9 299 29	1 354 08
11						
12		Detail Of Assets				
13		Fixed Capital				
14	1	Property, Plant and Equipment		197 956 95	5 789 35	7 050 47
15	2	Construction Work in Progress	x x	—	*4 849 07	—
16						
17						
18		Total Fixed Capital		197 956 95	940 28	7 050 47
19		Investments In Associated Companies				
20	3	Capital Stocks	20			
21	4	Bonds	20			
22	5	Notes Receivable	20			
23	6	~~Income Demand Notes Receivable~~	20			
24	7	Loans Receivable	20			
25	8	Income Demand Notes Receivable	20			
26						
27		Total Investments In Subsidiary Co's.		—	—	—
28		Other Investments				
29		Columbia Oil & Gasoline Corporation				
30	10	Capital Stock — Preferred	20			
31	11	Bonds	20			
32		Other Companies				
33	12	Capital Stocks	20			
34	13	Bonds	20			
35	14	Miscellaneous	20			
36	187	Less: Reserve for Investment Securities				
37		Total Other Companies				
38		Total Other Investments		—	—	—
39		Current And Working Assets				
40	20	Cash	x x	11 581 26	*8 676 53	*983 39
41	21	Working Funds	x x	200 00	—	—
42	23	Temporary Cash Investments	20	—	—	—
43	24	Notes Receivable	20	—	—	—
44	25	Accounts Receivable — Utility Service	20-B	29 548 94	*1 518 10	*4 038 16
45	26	" " — Appliance — Current Acc'ts	20-B	387 12	(11 47)	*385 99
46	27	" " — Appliance — Install't Acc'ts	20-B	382 62	(—)	*21 97
47	28	" " — Other	20-B	1 75	*49 62	*99 21
48		Total Notes and Accounts Receivable		30 320 43	*1 556 25	*4 545 33
49	188	Less: Reserve for Uncollectible Accounts	21-B	3 936 36	1 42	*50 65
50		Net Notes and Accounts Receivable		26 384 07	*1 557 67	*4 494 68
51	31	Interest Receivable	x x	—	—	—
52	32	Dividends Receivable	x x	—	—	—
53	33	Supplies — General	21-A	1 176 93	*199 42	20 82
54	34	Supplies — Fuel	x x	—	—	—
55	35	Merchandise Stock	x x	164 66	20	*291 95

Line	Acct.				Month	First
1		Fixed Capital	x x	197 956 95	940 28	7 050 47
2		Investments In Subsidiary Companies	x x	—	—	—
3		Other Investments	x x	—	—	—
4		Current And Working Assets	x x	39 790 91	+10 303 93	+5 734 31
5		Inter-Company Accounts	x x	422 35	56 95	30 51
6		Special Deposits And Funds	x x	—	—	—
7		Deferred Debits	x x	7 41	7 41	7 41
8		Clearing And Contra Accounts	x x	—	—	—
9						
10		Total Assets		238 177 62	+9 299 29	1 354 08
11						
12		**Detail Of Assets**				
13		Fixed Capital				
14	1	Property, Plant and Equipment		197 956 95	5 789 35	7 050 47
15	2	Construction Work in Progress	x x	—	+4 849 07	—
16						
17						
18		Total Fixed Capital		197 956 95	940 28	7 050 47
19		Investments In Associated Companies				
20	3	Capital Stocks	20			
21	4	Bonds	20			
22	5	Notes Receivable	20			
23	6	Income Demand Notes Receivable	20			
24	7	Loans Receivable	20			
25	8	Income Demand Notes Receivable	20			
26						
27		Total Investments In Subsidiary Co's.		—	—	—
28		Other Investments				
29		Columbia Oil & Gasoline Corporation				
30	10	Capital Stock — Preferred	20			
31	11	Bonds	20			
32		Other Companies				
33	12	Capital Stocks	20			
34	13	Bonds	20			
35	14	Miscellaneous	20			
36	187	Less: Reserve for Investment Securities				
37		Total Other Companies				
38		Total Other Investments		—	—	—
39		Current And Working Assets				
40	20	Cash	x x	11 581 26	+8 676 53	+983 39
41	21	Working Funds	x x	200 00	—	—
42	23	Temporary Cash Investments	20	—	—	—
43	24	Notes Receivable	20	—	—	—
44	25	Accounts Receivable — Utility Service	20-B	29 548 94	+1 518 10	+4 038 16
45	26	" " — Appliance — Current Acc'ts	20-B	387 12	(11 47)	+385 99
46	27	" " — Appliance — Install't Acc'ts	20-B	382 62	(—)	+21 97
47	28	" " — Other	20-B	1 75	+49 62	+99 21
48		Total Notes and Accounts Receivable		30 320 43	+1 556 25	+4 545 33
49	188	Less: Reserve for Uncollectible Accounts	21-B	3 936 36	1 42	+50 65
50		Net Notes and Accounts Receivable		26 384 07	+1 557 67	+4 494 68
51	31	Interest Receivable	x x	—	—	—
52	32	Dividends Receivable	x x	—	—	—
53	33	Supplies — General	21-A	1 176 93	+199 42	20 82
54	34	Supplies — Fuel	x x	—	—	—
55	35	Merchandise Stock	x x	164 66	20	+291 95
56	36	Gas Stored	20	—	—	—
57	37	Miscellaneous Inventories	x x	—	—	—
58	38	Prepaid Accounts	21-A	283 99	129 49	14 89
59	39	Other Current and Accrued Assets	21	—	—	—
60						
61						
62						
63		Total Current And Working Assets		39 790 91	+10 303 93	+5 734 31
				(A)	(B)	(C)

+Indicates red figures.

6931

[fol. 16646]

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Assets 1-A
Balance Sheet as of December 31, 1941

	Acc't No.	Detail of Assets (Continued)	Detail on Page		Increase Over Previous Month	Increase Since January First
64		Inter-Company Accounts				
65	55	Accounts Receivable — This Group	20	—	*360 00	*375 96
66	56	" " — Other Groups	20-A	422 35	416 95	406 47
67	57	Dividends Receivable	20	—	—	—
68	58	Interest Receivable	20	—	—	—
69						
70						
71		Total Inter-Company Accounts		422 35	56 95	30 51
72		Special Deposits And Funds				
73	71	Impounded Cash	20			
74	72	Employees Welfare Fund	20			
75	75	Miscellaneous	20			
76						
77						
78						
79		Total Special Deposits And Funds		—	—	—
80		Deferred Debits				
81	81	Unamortized Debt Discount and Expense	21	—	—	—
82	82	Extraordinary Property Losses	21	—	—	—
83	83	Preliminary Survey and Investigation Charges	21	—	—	—
84	84	Other Deferred Debits	21-A	7 41	7 41	7 41
85						
86						
87						
88						
89						
90		Total Deferred Debits		7 41	7 41	7 41
91		Clearing And Contra Accounts				
92	85	Maintenance and Jobbing Work in Progress	x x			
93	88	Shop Expense-Clearing	x x			
94	89	Other Clearing Accounts	x x			
95	90	Inter-Co. Contingent Interest Receivable (Contra Acc't)				
96	91	Inter-Co. Contingent Interest Expense (Contra Acc't)	x x			
97	92	Contingent Assets (Contra Account)	x x			
98	93	Non-Productive Well Drilling Expense	x x			
99	94-5	Special Deposits-Interest & Dividends (Contra Acc't)				
100						
101						
102						
103						
104						
105						
106		Total Clearing And Contra Acc'ts		—	—	—
107		Total Assets		238 177 62	*9 209 29	1 354 08
				(A)	(B)	(C)

*Indicates red figures.

[fol. 16647]

(Exhibit 266)

Columbia System

Indiana Gas Distribution Corporation

Corrected Copy

Liabilities 2.

Balance Sheet as of December 31, 1941

Acc't No.	Summary	Detail on Page		Increase Over Previous Month	Increase Since January First
	Long Term Debt (Except Current Maturities)	x x	—	—	—
	Long Term Debt-Inter-Company	x x	126 000 00	—	—
	Current And Accrued Liabilities	x x	20 785 27	1 441 47	5 404 61
	Inter-Company Accounts	x x	42 606 05	*3 156 14	*4 812 61
	Deferred Credits	x x	34 75	*2 62	8 70
	Clearing And Contra Accounts	x x	438 53	16 26	467 34
	Reserves	x x	40 336 45	461 19	*3 841 67
	Capital And Surplus	x x	7 976 57	*8 059 45	4 127 71
	Total Liabilities		238 177 62	*9 299 29	1 354 08

Detail Of Liabilities

Acc't No.		Detail on Page		Increase Over Previous Month	Increase Since January First
	Long Term Debt (Except Current Maturities)				
110	Bonds	20			
111	Miscellaneous	20			
	Total Long Term Debt		—	—	—
	Long Term Debt-Inter-Company				
115	Notes Payable	20-A	126 000 00	—	—
116	Income Demand Notes Payable	20	—	—	—
117	Loans Payable	20	—	—	—
118	Income Demand Loans Payable	20	—	—	—
	Total Long Term Debt-Inter-Company		126 000 00	—	—
	Current And Accrued Liabilities				
120	Notes Payable	20	—	—	—
121	Accounts Payable	x x	1 515 80	447 82	*86 99
122	Compensation Awards Payable	20	—	—	—
123	Long Term Debt-Current Maturities	20	—	—	—
124	Dividends Declared	x x	—	—	—
125	Customers Deposits	x x	1 495 00	10 00	530 00
126	Other Current Liabilities	x x	37 87	22 47	9 30
127	Accrued Taxes	21-A	17 609 23	954 29	4 903 24
128	Accrued Interest-Customers' Deposits	21-A	127 37	6 89	49 06
129	" " -Long Term Debt	21	—	—	—
130	" " -Other	21	—	—	—
131	Accrued Dividends	x x	—	—	—
132	Other Accrued Liabilities	21	—	—	—
	Total Current And Accrued Liabilities		20 785 27	1 441 47	5 404 61
	Inter-Company Accounts				
155	Accounts Payable-This Group	20-A	437 82	*274 56	*297 55
156	" " -Other Groups	20-A	42 168 23	*1 471 58	*4 515 06
157	Dividends Payable	20	—	—	—
158	Interest Payable	20	—	*1 410 00	—
	Total Inter-Company Accounts		42 606 05	*3 156 14	*4 812 61
	Deferred Credits				
	[illegible] Pending Rate Decision	21			

	Current And Accrued Liabilities	x x	[illegible]	[illegible]	[illegible]
	Inter-Company Accounts	x x	42 606 05	+3 156 14	+4 812 61
	Deferred Credits	x x	34 75	+2 62	8 70
	Clearing And Contra Accounts	x x	438 53	18 26	467 34
	Reserves	x x	40 336 45	461 19	+3 841 67
	Capital And Surplus	x x	7 976 57	+8 059 45	4 127 71
	Total Liabilities		238 177 62	+9 299 29	1 354 08

Detail Of Liabilities

	Long Term Debt (Except Current Maturities)				
110	Bonds	20			
111	Miscellaneous	20			
	Total Long Term Debt		—	—	—
	Long Term Debt-Inter-Company				
115	Notes Payable	20-A	126 000 00	—	—
116	Income Demand Notes Payable	20	—	—	—
117	Loans Payable	20	—	—	—
118	Income Demand Loans Payable	20	—	—	—
	Total Long Term Debt-Inter-Company		126 000 00	—	—
	Current And Accrued Liabilities				
120	Notes Payable	20	—	—	—
121	Accounts Payable	x x	1 515 80	447 82	+86 99
122	Compensation Awards Payable	20	—	—	—
123	Long Term Debt-Current Maturities	20	—	—	—
124	Dividends Declared	x x	—	—	—
125	Customers Deposits	x x	1 495 00	10 00	530 00
126	Other Current Liabilities	x x	37 87	22 47	9 30
127	Accrued Taxes	21-A	17 609 23	954 29	4 903 24
128	Accrued Interest-Customers' Deposits	21-A	127 37	6 89	49 06
129	" " -Long Term Debt	21	—	—	—
130	" " -Other	21	—	—	—
131	Accrued Dividends	x x	—	—	—
132	Other Accrued Liabilities	21	—	—	—
	Total Current And Accrued Liabilities		20 785 27	1 441 47	5 404 61
	Inter-Company Accounts				
155	Accounts Payable-This Group	20-A	437 82	+274 56	+297 55
156	" " -Other Groups	20-A	42 168 23	+1 471 58	+4 515 06
157	Dividends Payable	20	—	—	—
158	Interest Payable	20	—	+1 410 00	—
	Total Inter-Company Accounts		42 606 05	+3 156 14	+4 812 61
	Deferred Credits				
160	Contingent Earnings Pending Rate Decision	21	—	—	—
79	Less: Income Tax on Contingent Earnings	21	—	—	—
	Net Contingent Earnings		—	—	—
161	Customers Advances for Construction	21	—	—	—
162	Unclaimed Customers' Deposits Including Interest	21	—	—	—
163	Other Deferred Credits	21-B	34 75	+2 62	8 70
	Total Deferred Credits		34 75	+262	8 70
			(A)	(B)	(C)

There are no known Unrecorded Contingent Liabilities.
+Indicates red figures.

6983

[fol. 16648] (Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

2-A Liabilities
*Corrected Copy

Balance Sheet as of December 31, 1941

Acc't No.	Detail Of Liabilities (Continued)	Detail on Page		Increase Over Previous Month	Increase Since January First	
	Clearing And Contra Accounts					64
86	Transportation Expenses — Clearing	21-B	438 53	16 26	467 34	65
166	Other Clearing Accounts	21	—	—	—	66
167	Contingent Liabilities (Contra Account)	21	—	—	—	67
168	Unpres. Coupons & Unclaimed Dividends (Contra Acc't)	21	—	—	—	68
169	Inter-Co. Contingent Interest Payable (Contra Acc't)	21	—	—	—	69
170	Inter-Co. Contingent Interest Income (Contra Acc't)	21	—	—	—	70
						71
	Total Clearing And Contra Acc'ts		438 53	16 26	467 34	72
	Reserves And Special Surplus					73
180	Retirement and Depletion	21-B	27 069 92	77 18	3 931 23	74
97	Less: Retirement Work in Progress	21-B	—	219 61	—	75
	Net Reserve for Retirement and Depletion		27 069 92	*142 43	3 931 23	76
181	Injuries and Damages	21-B	8 977 78	87 00	1 000 00	77
182	Non-Productive Well Drilling	21	—	—	—	78
183	Contributions In Aid of Construction	21-B	3 600 00	65 00	*170 00	79
184	Columbia System Protection Fund	21	—	—	—	80
185	Contingencies	21-B	688 75	451 62	688 75	81
186	Other Reserves	21	—	—	—	82
190	Special Capital Surplus	18-A	—	—	—	83
191 & 2	Surplus Prior to January 1, 1938	18-A	—	—	*9 291 65	84
						85
	Total Reserves And Special Surplus		40 336 45	461 19	*3 841 67	86
	Capital, And Surplus Since Dec. 31, 1937					87
101	20 Shares Common (No Par)		1 000 00	—	—	88
	Less Shares in Treasury	x x	—			89
103	Shs. Pref. (%) (Par)					90
	Less Shares in Treasury	x x				91
	Shs. Pref. (%) (Par)					92
	Less Shares in Treasury	x x				93
	Shs. Cum. Pref. (%) (Par)					94
	Less Shares in Treasury	x x				95
	Authorized 10,000 Shares Common					96
	Unissued 9,980					97
						98
	Total Capital Stocks		1 000 00	—	—	99
193	Capital Surplus Since December 31, 1937	18-A	—	—	—	100
194	Earned Surplus Since December 31, 1937	18	6 976 57	*8 059 45	4 127 71	101
						102
						103
						104
	Total Surplus	x x	6 976 57	*8 059 45	4 127 71	105
	Total Capital, And Surplus Since Dec. 31, 1937	x x	7 976 57	*8 059 45	4 127 71	106
	Total Liabilities		238 177 62	*9 299 29	1 354 08	107
			(A)	(B)	(C)	

*Indicates red figures.

[fol. 16649]

Exhibit 266.
Columbia System
Indiana Gas Distribution Corporation

Income Statement 3
Month of December — 1941

	Detail on Page	Amount	Percent of Gross: This Year	Percent of Gross: Previous Year	Increase Over Previous Year: Amount	Increase Over Previous Year: Percent
			Month of December			
Gross Revenues						
Gas	4A	34 138 67	100 1	99 6	+3 732 40	+9 9
Electric	5A	—	—	—	—	—
Railway and Bus	6 & 7	—	—	—	—	—
Water and Heating	8A	—	—	—	—	—
Non-Utility	9	+28 29	+ 1	4	+186 60	− +117 9
Total Revenues		34 110 38	100 0	100 0	+3 919 00	+10 3
Operating Expenses						
Operation	x x	28 696 62	84 1	86 1	+4 063 98	+12 4
Maintenance	x x	53 58	2	5	+122 26	+69 5
Provision for Retirements and Depletion	x x	340 42	1 0	8	21 75	6 8
Taxes	24-B	2 641 14	7 7	5 7	481 03	22 3
Total Expenses		31 731 76	93 0	93 1	+3 683 46	+10 4
Net Operating Revenue		2 378 62	7 0	6 9	+235 54	+9 0
Other Income	16	2 62	—	—	41	18 6
Gross Corporate Income		2 381 24	7 0	6 9	+235 13	+9 0
Other Deductions	17	718 43	2 1	1 9	+2 45	+ 3
Less: Interest Charged to Construction-Credit	17	—	—	—	—	—
Net Income		1 662 81	4 9	5 0	+232 68	+12 3
		Months Ended				
Gross Revenues						
Gas	4B					
Electric	5B					
Railway and Bus	6 & 7					
Water and Heating	8B					
Non-Utility	9					
Total Revenues			100 0	100 0		
Operating Expenses						
Operation	x x					
Maintenance	x x					
Provision for Retirements and Depletion	x x					
Taxes	24					
Total Expenses						
Net Operating Revenue						
Other Income	16					
Gross Corporate Income						
Other Deductions	17					
Less: Interest Charged to Construction-Credit	17					
Net Income						
		12 Months Ended December 31				
Gross Revenues						
Gas	4C	395 617 28	99 9	99 9	+7 960 73	+2 0
Electric	5C	—	—	—	—	—
Railway and Bus	6 & 7	—	—	—	—	—
Water and Heating	8C	—	—	—	—	—
Non-Utility	9	663 74	1	1	284 65	75 1
Total Revenues		396 281 02	100 0	100 0	+7 676 08	+1 9
Operating Expenses						
Operation	x x	337 138 41	85 1	87 4	+15 844 12	+4 5
				3	736 44	59 2

Electric	5A			—	—	—	5
Railway and Bus	6 & 7	—		—	—	—	6
Water and Heating	8A	—					7
Non-Utility	9	*28 29	*.1	.4	*186 60	*117 9	8
Total Revenues		34 110 38	100.0	100.0	*3 919 00	*10.3	9
							10
Operating Expenses							11
Operation	x x	28 696 62	84.1	86.1	*4 063 98	*12.4	12
Maintenance	x x	53 58	.2	.5	*122 26	*69.5	13
Provision for Retirements and Depletion	x x	340 42	1.0	.8	21 75	6.8	14
Taxes	24-B	2 641 14	7.7	5.7	481 03	22.3	15
Total Expenses		31 731 76	93.0	93.1	*3 683 46	*10.4	16
Net Operating Revenue		2 378 62	7.0	6.9	*235 54	*9.0	17
Other Income	16	2 62	—	—	41	18.6	
Gross Corporate Income		2 381 24	7.0	6.9	*235 13	*9.0	18
Other Deductions	17	718 43	2.1	1.9	*2 45	*.3	19
Less: Interest Charged to Construction–Credit	17	—	—	—	—	—	20
Net Income		1 662 81	4.9	5.0	*232 68	*12.3	21
							22
	Months Ended						23
Gross Revenues							24
Gas	4B						25
Electric	5B						26
Railway and Bus	6 & 7						27
Water and Heating	8B						28
Non-Utility	9						29
Total Revenues			100.0	100.0			30
							31
Operating Expenses							32
Operation	x x						33
Maintenance	x x						34
Provision for Retirements and Depletion	x x						35
Taxes	24						36
Total Expenses							37
Net Operating Revenue							38
Other Income	16						39
Gross Corporate Income							40
Other Deductions	17						41
Less: Interest Charged to Construction–Credit	17						42
Net Income							43
	12 Months Ended December 31						44
Gross Revenues							45
Gas	4C	395 617 28	99.9	99.9	*7 960 73	*2.0	46
Electric	5C	—	—	—	—	—	47
Railway and Bus	6 & 7	—	—	—	—	—	48
Water and Heating	8C	—	—	—	—	—	49
Non-Utility	9	663 74	.1	.1	284 65	75.1	50
Total Revenues		396 281 02	100.0	100.0	*7 676 08	*1.9	51
							52
Operating Expenses							53
Operation	x x	337 138 41	85.1	87.4	*15 844 12	*4.5	54
Maintenance	x x	1 980 85	.5	.3	736 44	59.2	55
Provision for Retirements and Depletion	x x	3 740 80	.9	.9	200 00	5.6	56
Taxes	24-B	21 619 75	5.5	3.9	5 718 97	36.0	57
Total Expenses		364 479 31	92.0	92.5	*9 188 71	*2.5	58
Net Operating Revenue		31 801 71	8.0	7.5	1 512 63	5.0	59
Other Income	16	29 40	—	—	*16 23	*35.6	
Gross Corporate Income		31 831 11	8.0	7.5	1 496 40	4.9	60
Other Deductions	17	8 551 07	2.2	2.1	26 65	.3	61
Less: Interest Charged to Construction–Credit	17	—	—	—	—	—	62
Net Income		23 280 04	5.8	5.4	1 469 75	6.7	63
		(A)	(B)	(C)	(D)	(E)	

*Indicates red figures

6669

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Gas 4-A

1 Month Ended December 31, 1941

Acc't No.		% of Gross Prev. Year	Detail on Page	Amount	Percent of Gross	Cents Per M C F †	Increase Over Previous Year: Amount	Percent	Cents Per MCF †	
	Gross Revenue—Gas									1
1200	Residential		x x	7 397 70	21.7	93.38	559 62	8.2	2.42	2
1201	Commercial		x x	1 292 30	3.8	79.67	*213 34	*14.2	4.87	3
1202	Municipal & Other Public		x x	46 62	.1	89.65	*9 52	*17.0	5.86	4
1203	Industrial		x x	25 371 92	74.3	25.73	*4 055 36	*13.8	.40	5
1204	Other Public Utilities		x x	—	—	—	—	—	—	6
1205	Other Sales		x x	—	—	—	—	—	—	7
										8
	Total			34 108 54	99.9	31.52	*3 718 60	*9.8	1.45	9
1208	Inter-Company Sales—This Group		24-	—	—	—	—	—	—	10
1209	" " " —Other Groups		24-	—	—	—	—	—	—	11
	Total Sales—Inter-Company			—	—	—	—	—	—	12
	Total Revenue—Gas			34 108 54	99.9	31.52	*3 718 60	*9.8	1.45	13
	Other Gas Department Revenues		24-C	30 13	.1	—	*13 80	*31.4	—	14
	Total Revenue			34 138 67	100.0	31.55	*3 732 40	*9.9	1.44	15
	Operating Expenses									16
	Gas Purchased—Inter-Co.—This Group		25	—	—	—	—	—	—	17
	" " " " —Other Groups		25	27 037 80	79.2	24.73	*4 561 02	*14.4	*.38	18
	Total Purchased—Inter-Co.			27 037 80	79.2	24.73	*4 561 02	*14.4	*.38	19
	Gas Purchased—Others		25	—	—	—	—	—	—	20
	Interchange of Gas—Net		25	—	—	—	—	—	—	21
	Gas In or Out of Storage—Net		25	—	—	—	—	—	—	22
	Purchased Gas Expense—Operation		25	15 60	—	.01	15 60	—	.01	23
	" " " —Maintenance		25	—	—	—	—	—	—	24
	Production—Operation		26-7	—	—	—	—	—	—	25
	" —Maintenance		26-7	—	—	—	—	—	—	26
	Transmission—Operation		28	—	—	—	—	—	—	27
	" —Maintenance		28	—	—	—	—	—	—	28
	Distribution—Operation		29	544 15	1.6	.50	*113 20	*17.2	*.02	29
	" —Maintenance		29	53 58	.2	.05	*122 26	*69.5	*.09	30
	Customers Acc't'g & Collecting		30	389 71	1.1	.36	*15 60	*3.8	.04	31
	Sales Promotion		30	546 60	1.6	.51	458 49	520.4	.44	32
	Administrative & General—Operation		31	262 19	.8	.24	20 98	8.7	.05	33
	" " " —Maintenance		31	—	—	—	—	—	—	34
	Miscl. Duplicate Charges—Credit		31	139 47	.4	.13	*99 26	*41.6	*.06	35
	Total Operation & Maintenance			28 710 16	84.1	26.53	*4 217 75	*12.8	35	36
										37
	Total Operation	86.4	31	28 656 58	83.9	26.48	*4 095 49	*12.5	.44	38
	Total Maintenance	.5	31	53 58	.2	.05	*122 26	*69.5	*.09	39
	Prov. for Retirements & Depletion	.8	31	340 42	1.0	.31	21 75	6.8	.06	40
	Taxes—Federal	3.9	31	1 842 30	5.4	1.70	380 80	26.1	.54	41
	Taxes—State and Other	1.9	31	798 84	2.3	.75	100 23	14.3	.19	42
	Total Expenses	93.5	31	31 691 72	92.8	29.29	*3 714 97	*10.5	1.14	43
	Net Operating Revenue—Gas	6.5		2 446 95	7.2	2.26	*17 43	*.7	.30	44
										45
	Statistics									46
MCF—	Sales to Public and Other Utilities		51	108 211	99.0	x x x	*17 571	*1[illegible].0	x x x	47
"	Sales Inter-Company—This Group		51	—	—	x x x	—	—	x x x	48
"	" " —Other Groups		51	—	—	x x x	—	—	x x x	49
"	Total All Sales		51	108 211	99.0	x x x	*17 571	*14.0	x x x	50
"	Company Use, Elec. Gen. Stations		51	—	—	x x x	—	—	x x x	51
"	Other Company Use		51	15	—	x x x	*27	*64.3	x x x	52
"	Other Miscellaneous		51	—	—	x x x	—	—	x x x	53
	Total Deliveries		51	108 226	99.0	x x x	*17 598	*14.0	x x x	54

1202	Municipal & Other Public	x x	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1203	Industrial	x x	25 371 92	74.3	25 73	+4 055 36	+13.8	.40	5
1204	Other Public Utilities	x x	—	—	—	—	—	—	6
1205	Other Sales	x x	—	—	—	—	—	—	7
									8
	Total		34 108 54	99.9	31.52	+3 718 60	+9.8	1.45	9
1208	Inter-Company Sales—This Group	24-	—	—	—	—	—	—	10
1209	" " " —Other Groups	24-	—	—	—	—	—	—	11
	Total Sales—Inter-Company		—	—	—	—	—	—	12
	Total Revenue—Gas		34 108 54	99.9	31.52	+3 718 60	+9.8	1.45	13
	Other Gas Department Revenues	24-C	30 13	.1	—	+13 80	+31.4	—	14
	Total Revenue		34 138 67	100.0	31.55	+3 732 40	+9.9	1.44	15
	Operating Expenses								16
	Gas Purchased—Inter-Co.—This Group	25	—	—	—	—	—	—	17
	" " " —Other Groups	25	27 037 80	79.2	24.73	+4 561 02	+14.4	+.38	18
	Total Purchased—Inter-Co.		27 037 80	79.2	24.73	+4 561 02	+14.4	+.38	19
	Gas Purchased—Others	25	—	—	—	—	—	—	20
	Interchange of Gas—Net	25	—	—	—	—	—	—	21
	Gas In or Out of Storage—Net	25	—	—	—	—	—	—	22
	Purchased Gas Expense—Operation	25	15 60	—	.01	15 60	—	.01	23
	" " " —Maintenance	25	—	—	—	—	—	—	24
	Production—Operation	26-7	—	—	—	—	—	—	25
	—Maintenance	26-7	—	—	—	—	—	—	26
	Transmission—Operation	28	—	—	—	—	—	—	27
	" —Maintenance	28	—	—	—	—	—	—	28
	Distribution—Operation	29	544 15	1.6	.50	+113 20	+17.2	+.02	29
	" —Maintenance	29	53 58	.2	.05	+122 26	+69.5	+.09	30
	Customers Acc't'g & Collecting	30	389 71	1.1	.36	+15 60	+3.8	.04	31
	Sales Promotion	30	546 60	1.6	.51	458 49	520.4	.44	32
	Administrative & General—Operation	31	262 19	.8	.24	20 98	8.7	.05	33
	" " " —Maintenance	31	—	—	—	—	—	—	34
	Miscl. Duplicate Charges—Credit	31	139 47	.4	.13	+39 26	+41.6	+.06	35
	Total Operation & Maintenance		28 710 16	84.1	26.53	+4 217 75	+12.8	.35	36
	% of Gross Prev. Year								37
	Total Operation	86.4 / 31	28 656 58	83.9	26.48	+4 095 49	+12.5	.44	38
	Total Maintenance	.5 / 31	53 58	.2	.05	+122 26	+69.5	+.09	39
	Prov. for Retirements & Depletion	.8 / 31	340 42	1.0	.31	21 75	6.8	.06	40
	Taxes—Federal	3.9 / 31	1 842 30	5.4	1.70	380 80	26.1	.54	41
	Taxes—State and Other	1.9 / 31	798 84	2.3	.75	100 23	14.3	.19	42
	Total Expenses	93.5 / 31	31 691 72	92.8	29.29	+3 714 97	+10.5	1.14	43
	Net Operating Revenue—Gas	6.5	2 446 95	7.2	2.26	+17 43	+.7	.30	44
									45
	Statistics								46
MCF	Sales to Public and Other Utilities	51	108 211	99.0	x x x	+17 571	+14.0	x x x	47
"	Sales Inter-Company—This Group	51	—	—	x x x	—	—	x x x	48
"	" " " —Other Groups	51	—	—	x x x	—	—	x x x	49
"	Total All Sales	51	108 211	99.0	x x x	+17 571	+14.0	x x x	50
"	Company Use, Elec. Gen. Stations	51	—	—	x x x	—	—	x x x	51
"	Other Company Use	51	15	—	x x x	+27	+64.3	x x x	52
"	Other Miscellaneous	51	—	—	x x x	—	—	x x x	53
"	Total Deliveries	51	108 226	99.0	x x x	+17 598	+14.0	x x x	54
MCF	Purchased—Inter-Co.—This Group	51	—	—	x x x	—	—	x x x	55
"	" " —Other Groups	51	109 311	100.0	x x x	+16 513	+13.1	x x x	56
"	Purchased—Others	51	—	—	x x x	—	—	x x x	57
"	Produced	51	—	—	x x x	—	—	x x x	58
"	Interchanged—Net	51	—	—	x x x	—	—	x x x	59
"	In or Out of Storage—Net	51	—	—	x x x	—	—	x x x	60
					x x x			x x x	61
"	Total Gas Available For Deliveries	51	109 311	100.0	x x x	+16 513	+13.1	x x x	62
"	Unaccounted For—[Estimated]*	51	1 085	1.0	x x x	1 085	—	x x x	63
			(A)	(B)	(C)	(D)	(E)	(F)	

† Two Places Beyond Decimal Point.

* Losses in Black   +Indicates red figures.

6941

[fol. 16651]

(Exhibit 266.)

Columbia System

Indiana Gas Distribution Corporation

Gas 4-C

12 Months Ended December 31, 1941

Acc't No.			Detail on Page	Amount	Percent of Gross	Cents Per MCF †	Increase Over Previous Year: Amount	Increase Over Previous Year: Percent	Increase Over Previous Year: Cents Per MCF †	
	Gross Revenue—Gas									1
1200	Residential		x x	68 827 72	17 4	106 82	2 213 38	3 3	4 51	2
1201	Commercial		x x	12 926 08	3.3	89 38	*214 18	*1 6	1 48	3
1202	Municipal & Other Public		x x	439 51	1	95 55	31 31	7 7	* 05	4
1203	Industrial		x x	313 007 72	79.1	25 60	*9 885 33	*3 1	*1 81	5
1204	Other Public Utilities		x x	—	—	—	—	—	—	6
1205	Other Sales		x x	—	—	—	—	—	—	7
										8
	Total			395 201 03	99 9	30 32	*7 854 82	*1 9	*1 66	9
1208	Inter-Company Sales—This Group		24-	—	—	—	—	—	—	10
1209	" " " —Other Groups		24-	—	—	—	—	—	—	11
	Total Sales—Inter-Company			—	—	—	—	—	—	12
	Total Revenue—Gas			395 201 03	99.9	30 32	*7 854 82	*1 9	*1 66	13
	Other Gas Department Revenues		24-C	416 25	1	—	*105 91	*20.3	—	14
	Total Revenue			395 617 28	100 0	30 35	*7 960 73	*2 0	*1 67	15
	Operating Expenses—									16
	Gas Purchased—Inter-Co.—This Group		25	—	—	—	—	—	—	17
	" " " " —Other Groups		25	320 181 22	80 9	24 51	*15 540 48	*4 6	*2 11	18
	Total Purchased—Inter-Co.			320 181 22	80 9	24 51	*15 540 48	*4 6	*2 11	19
	Gas Purchased—Others		25	—	—	—	—	—	—	20
	Interchange of Gas—Net		25	—	—	—	—	—	—	21
	Gas In or Out of Storage—Net		25	—	—	—	—	—	—	22
	Purchased Gas Expense—Operation		25	34 31	—	—	8 47	32 8	—	23
	" " " —Maintenance		25	—	—	—	*2 29	*100 0	—	24
	Production—Operation		26-7	—	—	—	—	—	—	25
	" —Maintenance		26-7	—	—	—	—	—	—	26
	Transmission—Operation		28	—	—	—	—	—	—	27
	" —Maintenance		28	—	—	—	—	—	—	28
	Distribution—Operation		29	7 088 66	1 8	54	1 140 02	19 2	07	29
	" —Maintenance		29	1 980 35	5	15	738 73	59 5	05	30
	Customers Acc't'g & Collecting		30	4 795 56	1 2	37	*1 175 26	*19 7	* 10	31
	Sales Promotion		30	1 933 38	5	15	190 87	11 0	01	32
	Administrative & General—Operation		31	3 419 21	9	26	*935 40	*21 5	* 09	33
	" " " —Maintenance		31	—	—	—	—	—	—	34
	Miscl. Duplicate Charges—Credit		31	776 32	2	06	*233 64	*23 1	* 02	35
	Total Operation & Maintenance			338 656 37	85 3	25 98	*15 341 70	*4 3	*2 11	36
		% of Gross Prev. Year								37
	Total Operation	87 4	31	336 676 02	85 1	25 83	*16 078 14	*4 6	*2 16	38
	Total Maintenance	3	31	1 980 35	5	15	736 44	59 2	05	39
	Prov. for Retirements & Depletion	9	31	3 740 80	1 0	28	200 00	5 6	—	40
	Taxes—Federal	1 7	31	12 746 38	3 2	98	5 788 39	83 2	43	41
	Taxes—State and Other	2 2	31	8 873 37	2 2	68	*69 42	* 8	* 03	42
	Total Expenses	92 5	31	364 016 92	92 0	27 92	*9 422 73	*2 5	*1 71	43
	Net Operating Revenue—Gas	7 5		31 600 36	8 0	2 43	1 462 00	4 9	04	44
										45
	Statistics									46
	MCF—Sales to Public and Other Utilities		51	1 303 619	99 8	x x x	43 209	3 4	x x x	47
	" Sales Inter-Company—This Group		51	—	—	x x x	—	—	x x x	48
	" " " —Other Groups		51	—	—	x x x	—	—	x x x	49
	" Total All Sales		51	1 303 619	99 8	x x x	43 209	3 4	x x x	50
	" Company Use, Elec. Gen. Stations		51	—	—	x x x	—	—	x x x	51
	" Other Company Use		51	182	—	x x x	*18	*9 0	x x x	52

Acct.	Item	% of Gross Prev. Year	Ref.	(A)	(B)	(C)	(D)	(E)	(F)	Line
	Gross Revenue—Gas									
1200	Residential		x x	68 827 72	17.4	[illegible]	[illegible]			
1201	Commercial		x x	12 926 08	3 3	80.38	+214 18	+1.6	1 48	3
1202	Municipal & Other Public		x x	439 51	.1	95 55	31 31	7 7	+.05	4
1203	Industrial		x x	313 007 72	79.1	25.60	+9 885 33	+3.1	+1.81	5
1204	Other Public Utilities		x x	—	—	—	—	—	—	6
1205	Other Sales		x x	—	—	—	—	—	—	7
										8
	Total			395 201 03	99.9	30.32	+7 854 82	+1.9	+1.66	9
1208	Inter-Company Sales—This Group		24-	—	—	—	—	—	—	10
1209	" " " —Other Groups		24-	—	—	—	—	—	—	11
	Total Sales—Inter-Company			—	—	—	—	—	—	12
	Total Revenue—Gas			395 201 03	99.9	30 32	+7 854 82	+1.9	+1 66	13
	Other Gas Department Revenues		24-C	416 25	.1	—	+105 91	+20.8	—	14
	Total Revenue			395 617 28	100.0	30.35	+7 960 73	+2.0	+1 67	15
	Operating Expenses									16
	Gas Purchased—Inter-Co.—This Group		25	—	—	—	—	—	—	17
	" " " " —Other Groups		25	320 181 22	80 9	24.51	+15 540 48	+4.6	+2.11	18
	Total Purchased—Inter-Co.			320 181 22	80.9	24.51	+15 540 48	+4 6	+2.11	19
	Gas Purchased—Others		25	—	—	—	—	—	—	20
	Interchange of Gas—Net		25	—	—	—	—	—	—	21
	Gas In or Out of Storage—Net		25	—	—	—	—	—	—	22
	Purchased Gas Expense—Operation		25	34 31	—	—	8 47	32.8	—	23
	" " " —Maintenance		25	—	—	—	+2 29	+100 0	—	24
	Production—Operation		26-7	—	—	—	—	—	—	25
	" —Maintenance		26-7	—	—	—	—	—	—	26
	Transmission—Operation		28	—	—	—	—	—	—	27
	" —Maintenance		28	—	—	—	—	—	—	28
	Distribution—Operation		29	7 088 66	1.8	.54	1 140 02	19.2	.07	29
	" —Maintenance		29	1 980 35	.5	.15	738 73	59.5	.05	30
	Customers Acc't'g & Collecting		30	4 795 56	1 2	.37	+1 175 26	+19.7	+.10	31
	Sales Promotion		30	1 933 38	.5	.15	190 87	11 0	.01	32
	Administrative & General—Operation		31	3 419 21	.9	.26	+935 40	+21.5	+.09	33
	" " " —Maintenance		31	—	—	—	—	—	—	34
	Miscl. Duplicate Charges—Credit		31	776 32	.2	.06	+233 64	+23.1	+.02	35
	Total Operation & Maintenance			338 656 37	85.6	25 98	+15 341 70	+4 3	+2.11	36
		% of Gross Prev. Year								37
	Total Operation	87 4	31	336 676 02	85 1	25.83	+16 078 14	+4.6	+2 16	38
	Total Maintenance	.3	31	1 980 35	.5	.15	736 44	59.2	.05	39
	Prov. for Retirements & Depletion	.9	31	3 740 80	1 0	.28	200 00	5.6	—	40
	Taxes—Federal	1.7	31	12 7?6 38	3 2	.98	5 788 39	83 2	.43	41
	Taxes—State and Other	2 2	31	8 873 37	2 2	.68	+69 42	+.8	+.03	42
	Total Expenses	92 5	31	364 016 92	92 0	27 92	+9 422 73	+2.5	+1.71	43
	Net Operating Revenue—Gas	7 5		31 600 36	8 0	2 43	1 462 00	4 9	.04	44
										45
	Statistics									46
MCF	—Sales to Public and Other Utilities		51	1 303 619	99 8	x x x	43 209	3.4	x x x	47
"	Sales Inter-Company—This Group		51	—	—	x x x	—	—	x x x	48
"	" " —Other Groups		51	—	—	x x x	—	—	x x x	49
"	Total All Sales		51	1 303 619	99 8	x x x	43 209	3 4	x x x	50
"	Company Use—Elec. Gen. Stations		51	—	—	x x x	—	—	x x x	51
"	Other Company Use		51	182	—	x x x	+18	+9.0	x x x	52
"	Other Miscellaneous		51	—	—	x x x	—	—	x x x	53
	Total Deliveries		51	1 303 801	99 8	x x x	43 191	3 4	x x x	54
MCF	—Purchased—Inter-Co.—This Group		51	—	—	x x x	—	—	x x x	55
"	" " " —Other Groups		51	1 306 394	100 0	x x x	44 994	3 6	x x x	56
"	Purchased—Others		51	—	—	x x x	—	—	x x x	57
"	Produced		51	—	—	x x x	—	—	x x x	58
"	Interchanged—Net		51	—	—	x x x	—	—	x x x	59
"	In or Out of Storage—Net		51	—	—	x x x	—	—	x x x	60
						x x x			x x x	61
"	Total Gas Available For Deliveries		51	1 306 394	100 0	x x x	44 994	3 6	x x x	62
"	Unaccounted For—(Estimated)*		51	2 593	.2	x x x	1 803	228 2	x x x	63
	† Two Places Beyond Decimal Point.			(A)	(B)	(C)	(D)	(E)	(F)	

* Losses in Black. +Indicates red figures.

Columbia System

Indiana Gas Distribution Corporation

Month of December — 1941

	Detail on Page	Amount	Increase Over Previous Year Amount	Increase Over Previous Year Percent
Month of December				
Gross Revenue—Non-Utility				
Gasoline	10A	—	—	—
Appliance	11A	*43 84	*202 15	*127 7
Farm	12	—	—	—
Shop and Jobbing	12	15 55	15 55	—
Miscellaneous	12	—	—	—
Garage	13	—	—	—
Total Revenue—Non-Utility		*28 29	*186 60	*117 9
Operating Expenses				
Operation		40 04	31 51	369 4
Maintenance		—	—	—
Provision for Retirements		—	—	—
Taxes—Federal		—	—	—
Taxes—State and Other		—	—	—
Total Expenses		40 04	31 51	369 4
Net Revenue—Non-Utility		*68 33	*218 11	*145 6
Months Ended				
Gross Revenue—Non-Utility				
Gasoline	10B			
Appliance	11B			
Farm	12			
Shop and Jobbing	12			
Miscellaneous	12			
Garage	13			
Total Revenue—Non-Utility				
Operating Expenses				
Operation				
Maintenance				
Provision for Retirements				
Taxes—Federal				
Taxes—State and Other				
Total Expenses				
Net Revenue—Non-Utility				
12 Months Ended				
Gross Revenue—Non-Utility				
Gasoline	10C	—	—	—
Appliance	11C	397 09	27 00	7 3
Farm	12	—	—	—
Shop and Jobbing	12	266 65	257 65	—
Miscellaneous	12	—	—	—
Garage	13	—	—	—

	Detail on Page	Amount		Previous Year Amount	Previous Year Percent
		Month of December			
Gross Revenue—Non-Utility					
Gasoline	10A	—		—	—
Appliance	11A	*43 84		*202 15	*127 7
Farm	12	—		—	—
Shop and Jobbing	12	15 55		15 55	—
Miscellaneous	12	—		—	—
Garage	13	—		—	—
Total Revenue—Non-Utility		*28 29		*186 60	*117 9
Operating Expenses					
Operation		40 04		31 51	369 4
Maintenance		—		—	—
Provision for Retirements		—		—	—
Taxes—Federal		—		—	—
Taxes—State and Other		—		—	—
Total Expenses		40 04		31 51	369 4
Net Revenue—Non-Utility		*68 33		*218 11	*145 6
		Months Ended			
Gross Revenue—Non-Utility					
Gasoline	10B				
Appliance	11B				
Farm	12				
Shop and Jobbing	12				
Miscellaneous	12				
Garage	13				
Total Revenue—Non-Utility					
Operating Expenses					
Operation					
Maintenance					
Provision for Retirements					
Taxes—Federal					
Taxes—State and Other					
Total Expenses					
Net Revenue—Non-Utility					
		12 Months Ended			
Gross Revenue—Non-Utility					
Gasoline	10C	—		—	—
Appliance	11C	397 09		27 00	7 3
Farm	12	—		—	—
Shop and Jobbing	12	266 65		257 65	—
Miscellaneous	12	—		—	—
Garage	13	—		—	—
Total Revenue—Non-Utility		663 74		284 65	75 1
Operating Expenses					
Operation		462 39		234 02	102 5
Maintenance		—		—	—
Provision for Retirements		—		—	—
Taxes—Federal		—		—	—
Taxes—State and Other		—		—	—
Total Expenses		462 39		234 02	102 5
Net Revenue—Non-Utility		201 35		50 63	33 6
		(A)	(B)	(C)	(D)

*Indicates red figures.

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Appliance 11-A

1 Month Ended December 31, 1941

Acc't No.		Amount	Percent of Net Sales	Increase Over Previous Year Amount	Increase Over Previous Year Percent	
	Gross Sales					1
1901	Merchandise Sales—Electric	—	—	—	—	2
9102	Merchandise Sales—Gas	189 00	133 3	*355 75	*65 3	3
1903	Merchandise Sales—Miscellaneous	—	—	—	—	4
1904	Fixture and Wiring Sales	—	—	—	—	5
1905	Jobbing Work Sales	—	—	*18 00	*100 0	6
	Total Gross Sales	189 00	133 3	*373 75	*66 4	7
1911-2-3	Less: Merchandise Returns	—	—	—	—	8
1918	Discounts and Allowances	47 25	33 3	47 25	—	9
	Total Deductions	47 25	33 3	47 25	—	10
	Total Net Sales	141 75	100 0	*421 00	*74 8	11
	Cost of Sales					12
9001-2-3	Cost of Merchandise Sales	125 52	88 5	*190 16	*60 2	13
9004	Cost of Fixture and Wiring Sales	—	—	—	—	14
9005	Cost of Jobbing Sales	—	—	*5 05	*100 0	15
9011-2-3	Cost of Merchandise Returned	—	—	—	—	16
9016	Inward Freight and Drayage	11 47	8 1	7 43	183 9	17
9018-20	Merchandise Installation	43 74	30 9	*28 35	*39 3	18
9022	Merchandise Reconditioning	—	—	—	—	19
9024	Warehouse Expenses	4 86	3 4	*2 72	*35 9	20
9026	Inventory Adjustments	—	—	—	—	21
	Total Cost Of Sales	185 59	130 9	*218 85	*54 1	22
	Gross Profit	*43 84	*30 9	*202 15	*127 7	23
	Selling Expenses					24
9031	Salaries	—	—	—	—	25
9032	Commissions	—	—	—	—	26
9033	Advertising and Demonstration	—	—	—	—	27
9034	Delivery Expenses	—	—	*45	*100 0	28
9035	Servicing Guaranteed Appliances	2 68	1 9	1 82	211 6	29
9036	Miscellaneous	—	—	—	—	30
						31
						32
	Total Selling Expenses	2 68	1 9	1 37	104 6	33
	Customers Accounting & Collecting Exp.					34
9041	Credit Investigation	—	—	—	—	35
9042	Billing and Accounting	1 49	1 1	*10	*6 3	36
9043	Collecting Expenses	—	—	—	—	37
9044	Rents—Billing Equipment	—	—	—	—	38
9045	Uncollectible Accounts	1 42	1 0	*4 21	*74 8	39
9048	Miscellaneous	—	—	—	—	40
9098	Earned Carrying Charges—Credit	—	—	—	—	41
						42
	Total Cust's. Acctg. & Collect'g. Exp.	2 91	2 1	*4 31	*59 7	43
	Administrative & General Expenses					44
9060	General Officers Salaries and Expenses					45
9064	General Office Enployee's Salaries and Expenses					46
9067	General Office Supplies and Expenses					47
9068	Management & Supervision Fees & Expenses					48
9069	Buying Expenses					49
9070	Rent, Light and Heat					50
9077	Insurance					51
9079	Injuries and Damages					52
9081	Employees Welfare Expenses					53
9082	Rents—Accounting Equipment					54
9085	Miscellaneous					55
						56

1903	Merchandise Sales—Miscellaneous					
1904	Fixture and Wiring Sales	—	—	—	—	5
1905	Jobbing Work Sales	—	—	*18.00	*100.0	6
	Total Gross Sales	189.00	133.3	*373.75	*66.4	7
1911–2–3	Less: Merchandise Returns	—	—	—	—	8
1918	Discounts and Allowances	47.25	33.3	47.25	—	9
	Total Deductions	47.25	33.3	47.25	—	10
	Total Net Sales	141.75	100.0	*421.00	*74.8	11
	Cost of Sales					12
9001–2–3	Cost of Merchandise Sales	125.52	88.5	*190.16	*60.2	13
9004	Cost of Fixture and Wiring Sales	—	—	—	—	14
9005	Cost of Jobbing Sales	—	—	*5.05	*100.0	15
9011–2–3	Cost of Merchandise Returned	—	—	—	—	16
9016	Inward Freight and Drayage	11.47	8.1	7.43	183.9	17
9018–20	Merchandise Installation	43.74	30.9	*28.35	*39.3	18
9022	Merchandise Reconditioning	—	—	—	—	19
9024	Warehouse Expenses	4.86	3.4	*2.72	*35.[illegible]	20
9026	Inventory Adjustments	—	—	—	—	21
	Total Cost Of Sales	185.59	130.9	*218.85	*54.1	22
	Gross Profit	*43.84	*30.9	*202.15	*127.7	23
	Selling Expenses					24
9031	Salaries	—	—	—	—	25
9032	Commissions	—	—	—	—	26
9033	Advertising and Demonstration	—	—	—	—	27
9034	Delivery Expenses	—	—	*45	*100.0	28
9035	Servicing Guaranteed Appliances	2.68	1.9	1.82	211.6	29
9036	Miscellaneous	—	—	—	—	30
						31
						32
	Total Selling Expenses	2.68	1.9	1.37	104.6	33
	Customers Accounting & Collecting Exp.					34
9041	Credit Investigation	—	—	—	—	35
9042	Billing and Accounting	1.49	1.1	*10	*6.3	36
9043	Collecting Expenses	—	—	—	—	37
9044	Rents—Billing Equipment	—	—	—	—	38
9045	Uncollectible Accounts	1.42	1.0	*4.21	*71.8	39
9048	Miscellaneous	—	—	—	—	40
9098	Earned Carrying Charges—Credit	—	—	—	—	41
						42
	Total Cust's. Acctg. & Collect'g. Exp.	2.91	2.1	*4.31	*59.7	43
	Administrative & General Expenses					44
9060	General Officers Salaries and Expenses					45
9064	General Office Employee's Salaries and Expenses					46
9067	General Office Supplies and Expenses					47
9068	Management & Supervision Fees & Expenses					48
9069	Buying Expenses					49
9070	Rent, Light and Heat					50
9077	Insurance					51
9079	Injuries and Damages					52
9081	Employees Welfare Expenses					53
9082	Rents—Accounting Equipment					54
9085	Miscellaneous					55
						56
	Total Admin. & General Expenses	—	—	—	—	57
	Total Operation	5.59	4.0	*2.94	*34.5	58
9090	Provision for Retirements	—	—	—	—	59
9096	Taxes—Federal	—	—	—	—	60
9097	Taxes—State and Other	—	—	—	—	61
	Total Expenses	5.59	4.0	*2.94	*34.5	62
	Net Operating Revenue—Appliance	*49.43	*34.9	*199.21	*133.0	63
		(A)	(B)	(C)	(D)	

*Indicates red figures.

6947

[Roll 16654] (Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Appliance 11-C

Acc't No.		Amount	Percent of Net Sales	12 Months Ended December 31, 1941 — Increase Over Previous Year — Amount	Percent	
	Gross Sales					1
1901	Merchandise Sales—Electric	—	—	—	—	2
1902	Merchandise Sales—Gas	4 118 70	121 1	*704 38	*14 6	3
1903	Merchandise Sales—Miscellaneous	—	—	—	—	4
1904	Fixture and Wiring Sales	—	—	—	—	5
1905	Jobbing Work Sales	1 00	—	*17 00	*94 4	6
	Total Gross Sales	4 119 70	121 1	*721 38	*14 9	7
1911-2-3	Less: Merchandise Returns	4 20	1	11 36	—	8
1918	Discounts and Allowances	714 62	21 0	701 21	—	9
	Total Deductions	718 82	21 1	712 57	—	10
	Total Net Sales	3 400 88	100 0	*1 433 95	*29 7	11
	Cost Of Sales					12
9001-2-3	Cost of Merchandise Sales	2 257 63	66 4	*1 507 14	*40 0	13
9004	Cost of Fixture and Wiring Sales	—	—	—	—	14
9005	Cost of Jobbing Sales		—	*15 76	*100 0	15
9011-2-3	Cost of Merchandise Returned	*4 20	*1	*4 20	—	16
9016	Inward Freight and Drayage	47 58	1 4	*45 72	*49 0	17
9018-20	Merchandise Installation	654 67	19 2	6[illegible] 63	11 7	18
9022	Merchandise Reconditioning	6 25	2	*12 [illegible]	*66 1	19
9024	Warehouse Expenses	41 86	1 2	55 40	—	20
9026	Inventory Adjustments	—	—	—	—	21
	Total Cost Of Sales	3 003 79	88 3	*1 460 95	*32 7	22
	Gross Profit	397 09	11 7	27 00	7 3	23
	Selling Expenses					24
9031	Salaries	—	—	—	—	25
9032	Commissions	83 00	2 4	83 00	—	26
9033	Advertising and Demonstration	4 50	1	4 50	—	27
9034	Delivery Expenses	1 45	1	*76	*34 4	28
9035	Servicing Guaranteed Appliances	41 64	1 2	*67 95	*62 0	29
9036	Miscellaneous	2 07	1	2 07	—	30
						31
						32
	Total Selling Expenses	132 66	3 9	20 86	18 7	33
	Customers' Accounting & Collecting Exp.					34
9041	Credit Investigation	—	—	—	—	35
9042	Billing and Accounting	16 96	5	*43 22	*71 8	36
9043	Collecting Expenses	3 12	1	27	9 5	37
9044	Rents—Billing Equipment	—	—	—	—	38
9045	Uncollectible Accounts	34 39	1 0	*14 29	*29 4	39
9048	Miscellaneous	36	—	*36	*50 0	40
9098	Earned Carrying Charges—Credit	—	—	—	—	41
						42
	Total Cust's Acctg. & Collect'g. Exp.	54 83	1 6	*57 60	*51 2	43
	Administrative & General Expenses					44
9060	General Officers Salaries and Expenses					45
9064	General Office Employee's Salaries and Expenses					46
9067	General Office Supplies and Expenses					47
9068	Management & Supervision Fees & Expe.					48
9069	Buying Expenses					49
9070	Rent, Light and Heat					50
9077	Insurance					51
9079	Injuries and Damages					52
9081	Employees Welfare Expenses					53
9082	Rents—Accounting Equipment					54
9085	Miscellaneous					55
						56
	Total Admin. & General Expenses	—	—	—	—	57
	Total Operation	187 49	5 5	*36 74	*16 4	58
9090	Provision for Retirements					

Acct.	Item		Sales	Amount	Percent	
	Gross Sales					1
1901	Merchandise Sales—Electric		—	—	—	2
1902	Merchandise Sales—Gas	4 118 70	121 1	*704 38	*14 6	3
1903	Merchandise Sales—Miscellaneous		—	—	—	4
1904	Fixture and Wiring Sales		—	—	—	5
1905	Jobbing Work Sales	1 00	—	*17 00	*94 4	6
	Total Gross Sales	4 119 70	121 1	*721 38	*14 9	7
1911-2-3	Less: Merchandise Returns	4 20	1	11 36	—	8
1918	Discounts and Allowances	714 62	21 0	701 21	—	9
	Total Deductions	718 82	21 1	712 57	—	10
	Total Net Sales	3 400 88	100 0	*1 433 95	*29 7	11
	Cost Of Sales					12
9001-2-3	Cost of Merchandise Sales	2 257 63	66 4	*1 507 14	*40 0	13
9004	Cost of Fixture and Wiring Sales	—	—	—	—	14
9005	Cost of Jobbing Sales	—	—	*15 76	*100 0	15
9011-2-3	Cost of Merchandise Returned	*4 20	*1	*4 20	—	16
9016	Inward Freight and Drayage	47 58	1 4	*45 72	*49 0	17
9018-20	Merchandise Installation	654 67	19 2	68 63	11 7	18
9022	Merchandise Reconditioning	6 25	.2	*12 16	*66 1	19
9024	Warehouse Expenses	41 86	1 2	55 40	—	20
9026	Inventory Adjustments	—	—	—	—	21
	Total Cost Of Sales	3 003 79	88 3	*1 460 95	*32 7	22
	Gross Profit	397 09	11 7	27 00	7 3	23
	Selling Expenses					24
9031	Salaries	—	—	—	—	25
9032	Commissions	83 00	2 4	83 00	—	26
9033	Advertising and Demonstration	4 50	.1	4 50	—	27
9034	Delivery Expenses	1 45	1	*76	*34 4	28
9035	Servicing Guaranteed Appliances	41 64	1 2	*67 95	*62 0	29
9036	Miscellaneous	2 07	.1	2 07	—	30
						31
						32
	Total Selling Expenses	132 66	3 9	20 86	18 7	33
	Customers Accounting & Collecting Exp.					34
9041	Credit Investigation	—	—	—	—	35
9042	Billing and Accounting	16 96	.5	*43 22	*71 8	36
9043	Collecting Expenses	3 12	.1	.27	9 5	37
9044	Rents—Billing Equipment	—	—	—	—	38
9045	Uncollectible Accounts	34 39	1 0	*14 29	*29 4	39
9048	Miscellaneous	36	—	*36	*50 0	40
9098	Earned Carrying Charges—Credit	—	—	—	—	41
						42
	Total Cust's Acctg. & Collect'g. Exp.	54 83	1 6	*57 60	*51 2	43
	Administrative & General Expenses					44
9060	General Officers Salaries and Expenses					45
9064	General Office Employee's Salaries and Expenses					46
9067	General Office Supplies and Expenses					47
9068	Management & Supervision Fees & Expenses					48
9069	Buying Expenses					49
9070	Rent, Light and Heat					50
9077	Insurance					51
9079	Injuries and Damages					52
9081	Employees Welfare Expenses					53
9082	Rents—Accounting Equipment					54
9085	Miscellaneous					55
						56
	Total Admin. & General Expenses	—	—	—	—	57
	Total Operation	187 49	5 5	*36 74	*16 4	58
9090	Provision for Retirements	—	—	—	—	59
9096	Taxes—Federal	—	—	—	—	60
9097	Taxes—State and Other	—	—	—	—	61
	Total Expenses	187 49	5 5	*36 74	*16 4	62
	Net Operating Revenue—Appliance	209 60	6 2	63 74	43 7	63
		(A)	(B)	(C)	(D)	

*Indicates red figures.

(Exhibit 266.)

Acc't No.	Description	Current Month	Increase Over Previous Year	__ Months To Date	Increase Over Previous Year	Twelve Months To Date	Increase Over Previous Year	
	Gross Revenue—Farm							1
	Crops							2
	Rents							3
	Other Miscellaneous							4
								5
	Total Revenue—Farm	—	—			—	—	6
	Operating Expenses							7
	Operation							8
	Maintenance							9
	Other Miscellaneous Expense							10
								11
	Total Operation And Maintenance	—	—			—	—	12
	Total Operation							13
	Total Maintenance							14
	Provision for Retirements							15
	Taxes—Federal							16
	Taxes—State and Other							17
								18
	Total Expenses	—	—			—	—	19
								20
	Net Revenue—Farm	—	—			—	—	21
								22
								23
								24
								25
								26
	Gross Revenue—Shop And Jobbing, Misc.							27
	Shop and Jobbing	15 55	15 55			266 65	257 65	28
	Miscellaneous	—	—			—	—	29
								30
	Total Revenue—Shop And Jobbing, Misc.	15 55	15 55			266 65	257 65	31
	Operating Expenses							32
	Operation	34 45	34 45			274 90	270 76	33
	Maintenance	—	—				—	34
	Other Miscellaneous Expense	—	—			—	—	35
								36
								37
	Total Operation And Maintenance	34 45	34 45			274 90	270 76	38
	Total Operation	34 45	34 45			274 90	270 76	39
	Total Maintenance	—	—			—	—	40
	Provision for Retirements	—	—			—	—	41
	Taxes—Federal	—	—			—	—	42
	Taxes—State and Other	—	—			—	—	43
								44
	Total Expenses	34 45	34 45			274 90	270 76	45
								46
	Net Revenue—Shop And Jobbing, Misc.	*18 90	*18 90			*8 25	*13 11	47
	*Indicates red figures.	(A)	(B)	(C)	(D)	(E)	(F)	

Farm, Shop And Jobbing
And Miscellaneous

Indiana Gas Distribution Corporation
Columbia System

Month of December — 1941 12

[fol. 16656]

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Other
Income 16

Acc't No.		Detail on Page	Amount	Month of December - 1941 Increase Over Previous Year Amount	Percent
	Month Of December				
	Interest				
1971	Inter-Company—This Group				
1972	Inter-Company—Other Groups				
1973	Others				
	Total Interest				
	Dividends				
1976	Inter-Company—This Group				
1977	Inter-Company—Other Groups				
1978	Others				
	Total Dividends				
	Miscellaneous				
1981	Revenues from Sinking & Other Funds				
1982	Earned Carrying Charges		2 62	41	18.6
1983	Others				
	Total Miscellaneous		2 62	41	18.6
	Total Other Income		2 62	41	18.6
	Months Ended				
	Interest				
1971	Inter-Company—This Group				
1972	Inter-Company—Other Groups				
1973	Others				
	Total Interest				
	Dividends				
1976	Inter-Company—This Group				
1977	Inter-Company—Other Groups				
1978	Others				
	Total Dividends				
	Miscellaneous				
1981	Revenues from Sinking & Other Funds				
1982	Earned Carrying Charges				
1983	Others				
	Total Miscellaneous				
	Total Other Income				
	12 Months Ended December 31				
	Interest				
1971	Inter-Company—This Group				
1972	Inter-Company—Other Groups				
1973	Others			+4 36	+100.0
	Total Interest			+4 36	+100.0
	Dividends				
1976	Inter-Company—This Group				
1977	Inter-Company—Other Groups				
1978	Others				
	Total Dividends				

Account	Item	(A)	(B)	(C)	(D)	Line
	Interest					3
1971	Inter-Company—This Group					4
1972	Inter-Company—Other Groups					5
1973	Others					6
	Total Interest	—		—	—	7
	Dividends					8
1976	Inter-Company—This Group					9
1977	Inter-Company—Other Groups					10
1978	Others					11
						12
	Total Dividends	—		—	—	13
	Miscellaneous					14
1981	Revenues from Sinking & Other Funds	—		—	—	15
1982	Earned Carrying Charges	2 62		41	18 6	16
1983	Others	—			—	17
						18
	Total Miscellaneous	2 62		41	18 6	19
						20
	Total Other Income	2 62		41	18 6	21
						22
	Months Ended					23
	Interest					24
1971	Inter-Company—This Group					25
1972	Inter-Company—Other Groups					26
1973	Others					27
	Total Interest					28
	Dividends					29
1976	Inter-Company—This Group					30
1977	Inter-Company—Other Groups					31
1978	Others					32
						33
	Total Dividends					34
	Miscellaneous					35
1981	Revenues from Sinking & Other Funds					36
1982	Earned Carrying Charges					37
1983	Others					38
						39
	Total Miscellaneous					40
						41
	Total Other Income					42
						43
	12 Months Ended December 31					44
	Interest					45
1971	Inter-Company—This Group	—		—	—	46
1972	Inter-Company—Other Groups	—		—	—	47
1973	Others	—		*4 36	*100 0	48
	Total Interest	—		*4 36	*100 0	49
	Dividends					50
1976	Inter-Company—This Group					51
1977	Inter-Company—Other Groups					52
1978	Others					53
						54
	Total Dividends	—		—	—	55
	Miscellaneous					56
1981	Revenues from Sinking & Other Funds	—		—	—	57
1982	Earned Carrying Charges	29 40		13 13	80 7	58
1983	Others	—		*25 00	*100 0	59
						60
	Total Miscellaneous	29 40		*11 87	*28 8	61
						62
	Total Other Income	29 40		*16 23	*35 6	63

*Indicates red figures.

6953

[fol. 16657]

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Other Deductions 17

Month of December - 1941

Acc't No.		Detail on Page	Amount	Increase Over Previous Year Amount	Increase Over Previous Year Percent
	Month of December				
	Interest				
9571	Bonds		—	—	—
9572	Miscellaneous Long Term Debt		—	—	—
9573	Inter-Co. Notes & Loans—This Group		—	—	—
9574	" " " " "—Other Groups	24-A	705 00	—	—
9575	Other—Customers Deposits, Etc.	24-A	7 43	2 55	52 3
	Total Interest		712 43	2 55	4
9580	Amortization—Debt Discount And Expense		—	—	—
	Total Fixed Charges		712 43	2 55	4
9583	Miscellaneous Deductions		6 00	*5 00	*45 5
9585	Preferred Dividends of Subsidiaries		—	—	—
9586	Rent for Lease of Utility Plant		—	—	—
	Total Other Deductions		718 43	*2 45	* 3
9587	Less: Interest Charged to Construction—Credit		—	—	—
	Net Deductions From Income		718 43	*2 45	* 3
	Months Ended				
	Interest				
9571	Bonds				
9572	Miscellaneous Long Term Debt				
9573	Inter-Co. Notes & Loans—This Group				
9574	" " " " "—Other Groups				
9575	Other—Customers Deposits, Etc.				
	Total Interest				
9580	Amortization—Debt Discount and Expense				
	Total Fixed Charges				
9583	Miscellaneous Deductions				
9585	Preferred Dividends of Subsidiaries				
9586	Rent for Lease of Utility Plant				
	Total Other Deductions				
9587	Less: Interest Charged to Construction—Credit				
	Net Deductions From Income				
	12 Months Ended December 31				
	Interest				
9571	Bonds		—	—	—
9572	Miscellaneous Long Term Debt		—	—	—
9573	Inter-Co. Notes & Loans—This Group		—	—	—
9574	" " " " "—Other Groups	24-A	8,460 00	—	—
9575	Other—Customers Deposits, Etc	24-A	73 44	25 02	51 7

			(A)	(B)	(C)	(D)
	Month of December					
	Interest					
9571	Bonds		—		—	—
9572	Miscellaneous Long Term Debt		—		—	—
9573	Inter-Co. Notes & Loans—This Group		—		—	—
9574	" " " " " —Other Groups	24-A	705 60		—	—
9575	Other—Customers Deposits, Etc	24-A	7 43		2 55	52 3
	Total Interest		712 43		2 55	4
9580	Amortization—Debt Discount And Expense				—	—
	Total Fixed Charges		712 43		2 55	4
9583	Miscellaneous Deductions		6 00		*5 00	*45 5
9585	Preferred Dividends of Subsidiaries		—		—	—
9586	Rent for Lease of Utility Plant		—		—	—
	Total Other Deductions		718 43		*2 45	*3
9587	Less: Interest Charged to Construction—Credit		—		—	—
	Net Deductions From Income		718 43		*2 45	*3
	Months Ended					
	Interest					
9571	Bonds					
9572	Miscellaneous Long Term Debt					
9573	Inter-Co. Notes & Loans—This Group					
9574	" " " " " —Other Groups					
9575	Other—Customers Deposits, Etc					
	Total Interest					
9580	Amortization—Debt Discount and Expense					
	Total Fixed Charges					
9583	Miscellaneous Deductions					
9585	Preferred Dividends of Subsidiaries					
9586	Rent for Lease of Utility Plant					
	Total Other Deductions					
9587	Less: Interest Charged to Construction—Credit					
	Net Deductions From Income					
	12 Months Ended December 31					
	Interest					
9571	Bonds		—		—	—
9572	Miscellaneous Long Term Debt		—		—	—
9573	Inter-Co. Notes & Loans—This Group		—		—	—
9574	" " " " " —Other Groups	24-A	8 460 00		—	—
9575	Other—Customers Deposits, Etc	24-A	73 44		25 02	51 7
	Total Interest		8 533 44		25 02	3
9580	Amortization—Debt Discount And Expense		—		—	—
	Total Fixed Charges		8 533 44		25 02	3
9583	Miscellaneous Deductions		17 63		1 63	10 2
9585	Preferred Dividends of Subsidiaries		—		—	—
9586	Rent for Lease of Utility Plant		—		—	—
	Total Other Deductions		8 551 07		26 65	3
9587	Less: Interest Charged to Construction—Credit		—			—
	Net Deductions From Income		8 551 07		26 65	3

*Indicates red figures.

6955

(Exhibit 266.)

Columbia System

Indiana Gas Distribution Corporation

Surplus 18

Corrected Copy

12 Months Ended December 31, 1941

		Detail on Page		
Earned Surplus Since December 31, 1937				
Balance—January 1, 1941			x x x x x x x x x x x	2 848 86
Credits:				
Net Income 12 Months Ended Dec. 31, 1941 As Shown by Income Statement				23 280 04
Profit from Sale of Investments †				
Other Credits †				1 556 02
Total			x x x x x x x x x x x	27 684 92
Debits:				
Deficit 12 Months Ended Dec. 31, 1941 As Shown by Income Statement				
Dividend Appropriations—Preferred Stock—Cum. 6% Series A—C.G.& E Corp.				
Dividend Appropriations—Preferred Stock—Cum. 5% Series—C.G.& E. Corp.				
Dividend Appropriations—Preference Stock—5% Cum.—C. G. & E. Corp.				
Dividend Appropriations—				
Dividend Appropriations—Common Stock †				20 708 35
Loss from Sale of Investments †				
Investments Written Down or Written Off †				
Surplus Appropriated to Reserves †				
Other Debits †				
Total Debits			x x x x x x x x x x x	20 708 35
Balance			x x x x x x x x x x x	6 976 57
† Show Detail:				
Credits:				
Other Credits				
Excess Accrual for Federal Taxes for the Year 1940				1 278 28
Federal Income Tax	$ 376 85			
Federal Excess Profits Tax	901 43			
	$1 278 28			
Final Distribution from Liquidation of Columbia System Protection Fund	$ 416 95			
Less: Provision for Federal Income, Surtax and Excess Profits Taxes	139 21			277 74
				1 556 02
Debits:				
Dividend Appropriations—Common Stock				
Declared June 23, 1941, Payable June 27, 1941 to Shareholders as of record June 25, 1941			10 708 35	
Total Dividend—20 Shares @ $1,000 per share	$20,000 00			
Charged to:				
Earned Surplus Prior to January 1, 1938	$ 9 291 65			
Earned Surplus Since December 31, 1937	10 708 35			
	$20 000 00			
Declared December 19, 1941, Payable December 23, 1941 to Shareholders as of record December 22, 1941				
Total Dividend—20 Shares @ $500.00 per share			10 000 00	
			20 708 35	

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Surplus 18A

*Corrected Copy

12 Months Ended December 31, 1941

	Detail on Page		
Special Capital Surplus			
Balance—January 1, 19		x x x x x x x x x x x	—
Credits:			
Debits:			
Balance—		x x x x x x x x x x x	—
Surplus Prior To January 1, 1938			
Balance—Surplus Prior To January 1, 1938 At January 1, 1941		x x x x x x x x x x x	9 291 65
Capital Surplus Prior To January 1, 1938			
At Date Of Acquisition By C. G. & E. Corp.			
Balance—January 1, 19		x x x x x x x x x x x	—
Credits:			
Debits:			
Balance—		x x x x x x x x x x x	—
Since Date Of Acquisition By C. G. & E. Corp.			
Balance—January 1, 19		x x x x x x x x x x x	—
Credits:			
Debits:			
Balance—		x x x x x x x x x x x	—
Balance—Capital Surplus Prior To January 1, 1938		x x x x x x x x x x x	—
Earned Surplus Prior To January 1, 1938			
Balance—Earned Surplus Prior To January 1, 1938 At January 1, 1941		x x x x x x x x x x x	9 291 65
At Date Of Acquisition By C. G. & E. Corp.			
Balance—January 1, 19		x x x x x x x x x x x	—
Credits:			
Debits:			
Balance—		x x x x x x x x x x x	—
Since Date Of Acquisition By C. G. & E. Corp.			
Balance—January 1, 1941		x x x x x x x x x x x	9 291 65
Credits:			
Debits:	20-C		9 291 65
Balance—		x x x x x x x x x x x	—
Balance—Earned Surplus Prior To January 1, 1938		x x x x x x x x x x x	—
Balance—Surplus Prior To January 1, 1938		x x x x x x x x x x x	—

	(A)	(B)
Balance—	x x x x x x x x x x	—
Surplus Prior To January 1, 1938		
Balance—Surplus Prior To January 1, 1938 At January 1, 1941	x x x x x x x x x x	9 291 65
~~Capital Surplus Prior To January 1, 1938~~		
At Date Of Acquisition By C. G. & E. Corp.		
Balance—January 1, 19	x x x x x x x x x x	—
Credits:		
Debits:		
Balance—	x x x x x x x x x x	—
Since Date Of Acquisition By C. G. & E. Corp.		
Balance—January 1, 19	x x x x x x x x x x	—
Credits:		
Debits:		
Balance—	x x x x x x x x x x	—
Balance—Capital Surplus Prior To January 1, 1938	x x x x x x x x x x	—
Earned Surplus Prior To January 1, 1938		
Balance—Earned Surplus Prior To January 1, 1938 At January 1, 1941	x x x x x x x x x x	9 291 65
At Date Of Acquisition By C. G. & E. Corp.		
Balance—January 1, 19	x x x x x x x x x x	—
Credits:		
Debits:		
Balance—	x x x x x x x x x x	—
Since Date Of Acquisition By C. G. & E. Corp.		
Balance—January 1, 1941	x x x x x x x x x x	9 291 65
Credits:		
Debits: 20-C		9 291 65
Balance—	x x x x x x x x x x	—
Balance—Earned Surplus Prior To January 1, 1938	x x x x x x x x x x	—
Balance—Surplus Prior To January 1, 1938	x x x x x x x x x x	—
Capital Surplus Since December 31, 1937		
Balance—January 1, 19	x x x x x x x x x x	
Credits:		
Debits:		6959
Balance—	x x x x x x x x x x	—

*Indicates Corrected Copy.

[fol. 16660] (Exhibit 266.)

Description	No.	Original Amount	Date	Due	Int. %	Amount	
Assets							
Accounts Receivable—Other Groups							
Columbia System Protection Fund						416 95	
Michigan Gas Transmission Corporation						5 40	
Total, Page 1-A, Line 66							422 35
Liabilities							
Notes Payable							
Columbia Gas & Electric Corporation	2	125 000 00	8-1-37	On Demand	6	125 000 00	
Columbia Gas & Electric Corporation	3-R-1	1 000 00	12-1-37	" "	6	1 000 00	
Total, Page 2, Line 18							126 000 00
Accounts Payable—This Group							
The Ohio Fuel Gas Company							
Total, Page 2, Line 46							437 88
Accounts Payable—Other Groups							
Unassigned							
Columbia Gas & Electric Corporation						15 000 00	
Columbia Engineering Corporation						123 02	
Michigan Gas Transmission Corporation						27 045 21	
Total, Page 2, Line 47							42 168 23

(A) (B) (C) (D)

[fol. 16661] (Exhibit 266.)

Description				
Current And Working Assets				
Accounts Receivable—Utility Service				
Fiscal Closing Balance			34 437 82	
Cash Receipts to Close of Month			4 888 88	
Calendar Closing Month, Page 1, Line 44				29 548 94
Accounts Receivable—Appliances—Current Accounts				
Straight Charge Accounts—Due Within 90 Days			387 12	
Delinquent Balance on Installment Accounts				
Total, Page 1, Line 45				387 12
Accounts Receivable—Appliances—Installment Accounts				
Due Per Terms of Contracts	First Half Year	Second Half Year	Total	
Year 1942	172 95	100 92	273 87	
" 1943	32 10	32 10	64 20	
" 1944	32 10	12 45	44 55	
Total, Page 1, Line 46				382 62
Accounts Receivable—Other				
Shop and Contract Work			26 35	
Officers and Employees			*24 60	
Total, Page 1, Line 47				1 75
	(A)	(B)	(C)	(D)

Detail Of Balance Sheet Accounts
Current And Working Assets

Indiana Gas Distribution Corporation
Columbia System

Month of December - 1941 20-B

*Indicates red figures

[fol. 16662] (Exhibit 266.)

Description	(A)	(B)	(C)	(D)
Earned Surplus Prior To January 1, 1938				
Since date of Acquisition by Columbia Gas & Electric Corp.				
Debits:				
Dividend Appropriations—Common Stock				9 291 65
Dividend of 20 Shares @ $1,000 Per Share		20 000 00		
Charged to				
Earned Surplus Prior to January 1, 1938	9 291 65			
Earned Surplus Since December 31, 1937	10 708 35			
	20 000 00			
Total, Page 18-A, Line 47				9 291 65

Detail Of Balance Sheet Accounts
Surplus

Indiana Gas Distribution Corporation
Columbia System

Month of December 1941 20-C
Corrected Copy

[fol. 16663] (Exhibit 266.)

Acc't No.	Title of Account and Description		Total Amount Basis	Mos. to Run	Balance Beginning of Month	Changes During Month: Debits	Changes During Month: Credits	Balance End of Month
	Current and Working Assets							
33	Supplies—General				1 376 35			
	Purchased					130 79		
	Returns					77 93		
	Issues						408 14	
	Total, Page 1, Line 53				1 376 35	208 72	408 14	1 176 93
38	Prepaid Accounts							
	Insurance			Var.	152 01	151 59	19 61	283 99
					2 49	—	2 49	—
	Total, Page 1, Line 58				154 50	151 59	22 10	283 99
84	Deferred Debits							
	Other Deferred Debits							
	Inter-Company							
	Total, Page 1, A Line 84				—	7 41	—	7 41
	Current And Accrued Liabilities							
127	Accrued Taxes							
	Federal Capital Stock	(1942)	625 00	6	260 33	—	52 17	312 50
	Federal Income	(1940)		—	1 334 05	1 334 05	—	—
	Federal Income	(1941)		—	7 749 90	—	1 410 77	9 160 67
	Federal Unemployment Ins.	(1941)	3% of Pay Roll	—	24 99	—	3 53	28 52
	Federal Old Age Benefit	(1941)	1.0% of Pay Roll	—	15 40	—	11 79	27 19
	Property	(1940)		—	107 57	—	—	107 57
	Property	(1941)	4 900 00	—	4 345 00	30 64	447 43	4 761 79
	Indiana Gross Income	(1941)	1.0% of Gross Receipt	—	675 74	—	358 74	1 034 48
	Indiana Unemployment Ins.	(1941)	.35% of Pay Roll	—	21 83	—	*18 15	3 68
	Federal Excess Profits Tax	(1941)		—	2 120 13	—	52 70	2 172 83
	Total, Page 2, Line 33				16 654 94	1 364 69	2 318 98	17 609 23
128	Accrued Interest							
	Customers' Service Deposits							
	Total, Page 2, Line 34		6.0% Prev. Mos. Bal.		120 48	54	7 43	127 37
	Detail of Balance Sheet Accounts		(A)	(B)	(C)	(D)	(E)	(F)

*Indicates red figures.
Current And Working Assets
Current And Accrued Liabilities

Indiana Gas Distribution Corporation
Columbia System

Month of December-1941 A-21

[fol. 16664]

(Exhibit 266.)

Acc't No.	Title of Account and Description	Total Amount Basis	Mos. to Run	Balance Beginning of Month	Changes During Month: Debits	Changes During Month: Credits	Balance End of Month
	Deferred Credits						
162	Unclaimed Customers' Service Deposits Including Interest						
	Total, Page 2, Line 58				17 78	17 78	
163	Other Deferred Credits						
	Unearned Carrying Charges						
	Total, Page 2, Line 59			37 37	2 62		34 75
	Clearance And Contra Accounts						
86	Transportation Expense—Clearing						
	Total, Page 2-A, Line 65			422 27	250 99	267 25	438 53
	Reserves						
180	Retirement and Depletion						
	Property, and Plant Equipment	2% of P. P. & E.		25 265 62	326 03	340 42	25 280 01
	Automobiles	Estimated Life		1 727 12	—	62 79	1 789 91
	Total			26 992 74	326 03	403 21	27 069 92
	Less: Retirement Clearance Acct.			*219 61	612 37	392 76	—
	Net Retirement and Depletion Reserves (p. 2-A, L. 76)			27 212 35	938 40	795 97	27 069 92
181	Injuries and Damages						
	Other						
	Total, Page 2-A, Line 77	1 900 00		8 890 78	—	87 00	8 977 78
183	Contributions in Aid of Construction						
	Total, Page 2-A, Line 79			3 53[illegible] 00	5 00	70 00	3 600 00
185	Contingencies						
	Taxes						
	Total, Page 2-A, Line 81			237 13	—	451 62	688 75
188	Uncollectible Accounts						
	Customers — Accrual	1% of Gross		( )			( )
	Recoveries			(3 853 29)	—	—	(3 853 29)
	Total			3 853 29		—	3 853 29
	Appliance — Accrual	1% of Net		( )		1 42	( )
	Recoveries			(81 65)	—	—	(83 07)
	Total			81 65	—	1 42	83 07
	Total, Page 1, Line 49			3 934 94	—	1 42	3 936 36
		(A)	(B)	(C)	(D)	(E)	(F)

Detail Of Balance Sheet Accounts
Deferred Credits—Clearing And Contra Account—Reserves
*Indicates red figures.

Indiana Gas Distribution Corporation
Columbia System

Month of December - 1941 21-B

Acc't No.	Description	Current Month	Increase Over Previous Year	___Months To Date	Increase Over Previous Year	Twelve Months To Date	Increase Over Previous Year
2001	Gas Purchased—Other Groups						
	Unassigned						
	Michigan Gas Transmission Corp.						
	Total, P. 4-5 & C, L. 18	27 037 80	*4 561 02			320 181 22	*15 540 48
	Other Deductions						
9574	Interest—Other Groups						
	Unassigned						
	Columbia Gas & Electric Corp. (N.Y.)						
	Total, P. 17, L. 7 & 49	705 00	—			8 460 00	—
9575	Interest—Other						
	Customers' Deposits						
	Total, P. 17, L. 8 & 50	7 43	2 55			73 44	25 02
		(A)	(B)	(C)	(D)	(E)	(F)

Detail Of Income Accounts
Inter-Company Earnings And Expenses
Other Deductions

Indiana Gas Distribution Corporation
Columbia System

Month of December — 1941

*Indicates red figures.

[fol. 16666]

(Exhibit 266.)

Acc't No.	Description	Current Month	Increase Over Previous Year	___ Months To Date	Increase Over Previous Year	Twelve Months To Date	Increase Over Previous Year
	Gas Department						
	State and Other						
	Property	447 43	47 43			4 792 43	142 43
	Gross Income	358 74	81 47			4 034 37	*3 62
	Unemployment Insurance	*7 33	*28 67			46 57	*208 23
2997	Total, State and Other	798 84	100 23			8 873 37	*69 42
	Federal						
	Capital Stock	52 17	20 17			745 50	342 50
	Unemployment Insurance	3 28	92			26 75	*1 49
	Old Age Benefit	10 97	3 05			91 09	*3 34
	Income	887 68	*332 87			9 360 73	3 829 84
	Excess Profits	888 20	689 53			2 522 31	1 620 88
2996	Total, Federal	1 842 30	*380 80			12 746 38	5 788 39
	Total Taxes, P. 3, L. 14 & 56	2 641 14	481 03			21 619 75	5 718 97
		(A)	(B)	(C)	(D)	(E)	(F)

*Note: Taxes Charged to Fixed Capital, Surplus And Transportation-Clearance Are Not Included.

Acc't No.	Description	Current Month	Increase Over Previous Year	___ Months To Date	Increase Over Previous Year	Twelve Months To Date	Increase Over Previous Year
1210	Rent from Property	—	—			—	—
1212	Customers' Forfeited Discounts	29 22	*7 18			399 78	*80 51
1215	Miscellaneous Other Revenue	91	*6 62			16 47	*25 40
	Total, P. 4-A, & C. L. 14	30 13	*13 80			416 25	*105 91
		(A)	(B)	(C)	(D)	(E)	(F)

Detail Of Income Accounts
Other Gas Department Revenue

Indiana Gas Distribution Corporation
Columbia System

Month of December -- 1941 24-C

*Indicates red figures.

(Exhibit 266.)

Columbia System — Gas Expenses 25

Indiana Gas Distribution Corporation — Month of December - 1941

12 Months To Date	Increase Over Previous Year	Acc't No.	Gas Purchased For Resale	Current Month	Increase Over Previous Year	
						1
—	—	2000	Natural Gas Purchased—This Group	—	—	2
320 181 22	*15 540 48	2001	" " " —Other Groups	27 037 80	*4 561 02	3
—	—	2002	" " " —Others	—	—	4
—	—	2003	Manufactured Gas Purchased—This Group	—	—	5
—	—	2004	" " " —Other Groups	—	—	6
—	—	2005	" " " —Others	—	—	7
—	—	2010	Interchange of Gas—Net—This Group	—	—	8
—	—	2011	" " " — " —Other Groups	—	—	9
—	—	2012	" " " — " —Others	—	—	10
—	—	2014	Gas Placed in Storage	—	—	11
—	—	2015	Gas Withdrawn from Storage	—	—	12
320 181 22	*15 540 48		Total	27 037 80	*4 561 02	13
						14
			Gas Purchase Expenses			15
			Operation			16
7 86	*15 58	2016	Purchase Expenses—Natural Gas —Labor	—	—	17
26 45	24 05	2017	" " — " " —M. & E.	15 60	15 60	18
—	—	2018	" " —Manufactured Gas —Labor	—	—	19
—	—	2019	" " — " " —M. & E.	—	—	20
						21
						22
34 31	8 47		Total Operation	15 60	15 60	23
			Maintenance			24
—	*2 29	2054	Struc. & Equip.—Natural Gas —Labor	—	—	25
—	—	2055	" " " — " " —M. & E.	—	—	26
—	—	2062	" " " —Manufactured Gas —Labor	—	—	27
—	—	2063	" " " — " " —M. & E.	—	—	28
						29
						30
—	*2 29		Total Maintenance	—	—	31
34 31	6 18		Total Purchase Expenses	15 60	15 60	32
						33
			Gas Purchased Summary			34
			Natural Gas			35
320 181 22	*15 540 48		Total Purchases	27 037 80	*4 561 02	36
34 31	8 47		Total Purch. Exp.—Operation	15 60	15 60	37
—	*2 29		" " " —Maintenance	—	—	38
320 215 53	*15 534 30		Total	27 053 40	*4 545 42	39
			Manufactured Gas			40
			Total Purchases			41
			Total Purch. Exp.—Operation			42
			" " " —Maintenance			43
—	—		Total	—	—	44
			Interchange of Gas—Net			45
			Gas In & Out of Storage—Net			46
—	—		Total	—	—	47
320 215 53	*15 534 30		Total Gas Purchased Expenses	27 053 40	*4 545 42	48
						49
			Gas Purchase Statistics			50
1 306 394	44 994		Natural Gas Purchased —MCF	109 311	*16 513	51
—	—		Interchange of Gas—Net —MCF	—	—	52
—	—		Natural Gas Stored—Cr. —MCF	—	—	53
1 306 394	44 994		Total	109 311	*16 513	54
	[illegible]		Average Cost Per MCF (Cents)	24 75	* 36	55

(A)	(B)			(C)	(D)	
—	—	2003	Manufactured Gas Purchased—This Group	—	—	5
—	—	2004	" " " —Other Groups	—	—	6
—	—	2005	" " " —Others	—	—	7
—	—	2010	Interchange of Gas—Net—This Group	—	—	8
—	—	2011	" " " — " —Other Groups	—	—	9
—	—	2012	" " " — " —Others	—	—	10
—	—	2014	Gas Placed in Storage	—	—	11
—	—	2015	Gas Withdrawn from Storage	—	—	12
320 181 22	*15 540 48		Total	27 037 80	*4 561 02	13
						14
			Gas Purchase Expenses			15
			Operation			16
7 86	*15 58	2016	Purchase Expenses—Natural Gas —Labor	—	—	17
26 45	24 05	2017	" " " " —M. & E.	15 60	15 60	18
—	—	2018	" " —Manufactured Gas—Labor	—	—	19
—	—	2019	" " — " " —M. & E.	—	—	20
						21
						22
34 31	8 47		Total Operation	15 60	15 60	23
			Maintenance			24
—	*2 29	2054	Struc. & Equip.—Natural Gas —Labor	—	—	25
—	—	2055	" " " — " " —M. & E.	—	—	26
—	—	2062	" " " —Manufactured Gas —Labor	—	—	27
—	—	2063	" " " — " " —M. & E.	—	—	28
						29
						30
—	*2 29		Total Maintenance	—	—	31
34 31	6 18		Total Purchase Expenses	15 60	15 60	32
						33
			Gas Purchased Summary			34
			Natural Gas			35
320 181 22	*15 540 48		Total Purchases	27 037 80	*4 561 02	36
34 31	8 47		Total Purch. Exp. —Operation	15 60	15 60	37
—	*2 29		" " " —Maintenance	—	—	38
320 215 53	*15 534 30		Total	27 053 40	*4 545 42	39
			Manufactured Gas			40
			Total Purchases			41
			Total Purch. Exp. —Operation			42
			" " " —Maintenance			43
—	—		Total	—	—	44
			Interchange of Gas—Net			45
			Gas In & Out of Storage—Net			46
—	—		Total	—	—	47
320 215 53	*15 534 30		Total Gas Purchased Expenses	27 053 40	*4 545 42	48
						49
			Gas Purchase Statistics			50
1 306 394	44 994		Natural Gas Purchased —MCF	109 311	*16 513	51
—	—		Interchange of Gas—Net —MCF	—	—	52
—	—		Natural Gas Stored—Cr. —MCF	—	—	53
1 306 394	44 994		Total	109 311	*16 513	54
24 51	*2 11		Average Cost Per MCF (Cents)	24 75	* 36	55
			Manufactured Gas Purchased —MCF			56
			Manufactured Gas Stored—Cr. —MCF			57
—	—		Total	—	—	58
—	—		Average Cost Per MCF (Cents)	—	—	59
—	—		Gas Withdrawn from Storage —MCF	—	—	60
—	—		Average Cost Per MCF (Cents)	—	—	61
1 306 394	44 994		Total Gas Purchased—MCF	109 311	*16 513	62
24.51	*2.11		Avg. Cost Per MCF (Cents)	24.75	* .36	63
(A)	(B)			(C)	(D)	

*Indicates red figures.

[fol. 16669]

(Exhibit 266.)

Columbia System
Indiana Gas Distribution Corporation

Gas Expenses 29

Month of December - 1941

12 Months To Date	Increase Over Previous Year	Acc't No.	Distribution		Current Month	Increase Over Previous Year
			Operation			
1 058 93	+92 67	2400	Supervision & Engineering	—Labor	83 53	+11 47
967 51	+166 89	2401	" "	—M. & E.	66 42	+13 15
39	+11 33	2404	Distribution Maps & Records	—Labor	—	+2 95
22	+28 87	2405	" " "	—M. & E.	—	+26 46
—	—	2406	Distr. Pumping, Meas. and Reg. Equip.	—Labor	—	—
—	—	2407	" " " " " "	—M. & E.	—	—
548 90	1 89	2412	Distribution Lines	—Labor	40 95	+24 55
149 67	174 92	2413	" "	—M. & E.	32 09	14 24
952 44	276 01	2418	Rem. and Reset Meters and Hse. Reg.	—Labor	66 45	+12 10
564 19	249 71	2419	" " " " " " "	—M. & E.	36 42	10 56
787 77	199 81	2420	Other Services on Customers Prem.	—Labor	59 24	+7 58
568 19	269 85	2421	" " " " "	—M. & E.	44 69	+1 15
50 79	98	2424	Meter Department	—Labor	4 14	2 64
35 43	26 80	2425	" "	—M. & E.	19 74	19 49
300 90	61 40	2426	Other Distribution Expenses	—Labor	27 19	+15 57
514 34	211 17	2427	" " "	—M. & E.	32 24	+53 20
—	—	2428	Street Lighting	—Labor	—	—
—	—	2429	" "	—M. & E.	—	—
288 99	+2 76	2433	Rents		31 05	11 05
7 088 66	1 140 02		Total Operation		544 15	+113 20
			Maintenance			
288 61	154 99	2450	Supervision & Engineering	—Labor	23 47	8 00
257 73	61 49	2451	" " "	—M. & E.	17 70	+5 74
62 27	49 90	2452	Structures & Improvements	—Labor	—	+6 57
46 77	29 30	2453	" "	—M. & E.	—	+7 40
39 66	33 15	2454	Distribution Meas. and Reg. Equip.	—Labor	11 76	9 57
5 05	+5 12	2455	" " " " "	—M. & E.	3 30	+1 92
—	—	2456	Distribution Pumping Equipment	—Labor	—	—
—	—	2457	" " "	—M. & E.	—	—
126 29	33 40	2460	Distribution Lines	—Labor	—	+18 99
107 62	59 30	2461	" "	—M. & E.	—	+9 50
19 88	+5 13	2468	Services	—Labor	77	+5 87
8 57	+20 20	2469	"	—M. & E.	4 74	8 20
359 64	197 15	2472	Meters	—Labor	07	+33 33
458 99	260 98	2473	"	—M. & E.	45	+32 75
33 78	+79 43	2474	House Regulators	—Labor	1 32	+3 10
106 31	+51 06	2475	" "	—M. & E.	+10 00	+22 86
—	—	2478	Street Lighting Equipment	—Labor	—	—
—	—	2479	" "	—M. & E.	—	—
7 12	+14 68	2480	Miscellaneous Distribution Equipment	—Labor	—	—
52 05	34 74	2481	" " "	—M. & E.	—	—
1 980 35	738 73		Total Maintenance		53 58	+122 26
9 069 01	1 878 75		Total Distribution Expenses		597 73	+235 46
1 791	145		Number Of Customers		1 881	143
506 37	69 54		Average Cost Per Customer (Cents)		31 78	+16 16

12 Months To Date	Increase Over Previous Year	Acc't No.	Distribution		Current Month	Increase Over Previous Year
			Operation			
1 058 93	*92 67	2400	Supervision & Engineering	—Labor	83 53	*11 47
967 51	*166 89	2401	" " "	—M. & E.	66 42	*13 15
39	*11 33	2404	Distribution Maps & Records	—Labor	—	*2 95
22	*28 87	2405	" " " "	—M. & E.	—	*26 46
—	—	2406	Distr. Pumping, Meas. and Reg. Equip.	—Labor	—	—
—	—	2407	" " " " " "	—M. & E.	—	—
548 90	1 89	2412	Distribution Lines	—Labor	40 95	*24 55
149 67	174 92	2413	" "	—M. & E.	32 09	14 24
952 44	276 01	2418	Rem. and Reset Meters and Hse. Reg	—Labor	66 45	*12 10
564 19	249 71	2419	" " " " " " "	—M. & E.	36 42	10 56
787 77	199 81	2420	Other Services on Customers Prem.	—Labor	50 24	*7 58
568 19	260 85	2421	" " " "	—M. & E.	44 69	*1 15
50 79	98	2424	Meter Department	—Labor	4 14	2 64
35 43	26 80	2425	" "	—M. & E.	19 74	19 49
300 90	61 40	2426	Other Distribution Expenses	—Labor	27 19	*15 57
514 34	211 17	2427	" " "	—M. & E.	32 24	*53 20
—	—	2428	Street Lighting	—Labor	—	—
—	—	2429	" "	—M. & E.	—	—
288 99	*2 76	2433	Rents		31 05	11 05
7 088 66	1 140 02		Total Operation		544 15	*113 20
			Maintenance			
288 61	154 99	2450	Supervision & Engineering	—Labor	23 17	8 00
257 73	61 49	2451	" " "	—M. & E.	17 70	*5 74
62 27	49 90	2452	Structures & Improvements	—Labor	—	*6 57
46 77	29 30	2453	" " "	—M. & E.	—	*7 40
39 66	*33 15	2454	Distribution Meas. and Reg. Equip.	—Labor	11 76	9 57
5 05	*5 12	2455	" " " " "	—M. & E.	3 30	*1 92
—	—	2456	Distribution Pumping Equipment	—Labor	—	—
—	—	2457	" " "	—M. & E.	—	—
126 29	33 40	2460	Distribution Lines	—Labor	—	*18 99
107 62	59 30	2461	" "	—M. & E.	—	*9 50
19 88	*5 13	2468	Services	—Labor	77	*5 57
8 57	*20 20	2469	"	—M. & E.	4 74	8 20
359 64	197 15	2472	Meters	—Labor	07	*33 33
458 99	260 93	2473	"	—M. & E.	45	*32 75
33 78	*70 43	2474	House Regulators	—Labor	1 32	*3 10
106 31	*51 06	2475	" "	—M. & E.	*10 00	*22 86
—	—	2478	Street Lighting Equipment	—Labor	—	—
—	—	2479	" " "	—M. & E.	—	—
7 13	*14 68	2480	Miscellaneous Distribution Equipment	—Labor	—	—
52 05	34 74	2481	" "	—M. & E.	—	—
1 980 35	738 73		Total Maintenance		53 58	*122 26
9 069 01	1 878 75		Total Distribution Expenses		597 73	*235 46
1 791	145		Number Of Customers		1 881	143
506 37	69 54		Average Cost Per Customer (Cents)		31 78	*16 16
(A)	(B)				(C)	(D)

*Indicates red figures.

6279

[fol. 16670]

(Exhibit 266.)

Columbia System

Indiana Gas Distribution Corporation

Gas Expenses 30

Month of December - 1941

12 Months To Date	Increase Over Previous Year	Acc't No.	Customers Accounting & Collecting		Current Month	Increase Over Previous Year
551 44	+554 37	2600	Supervision	—Labor	38 20	+7 80
308 68	127 60	2601	"	—M. & E.	20 17	13 15
37 32	+62 62	2602	Customers Contract & Orders	—Labor	2 80	+20
3 93	1 49	2603	" " " "	—M. & E.	13	13
31 77	+28 58	2604	Credit Investigation & Records	—Labor	2 80	+20
6 58	+6 91	2605	" " " "	—M. & E.	26	26
720 71	+44 34	2606	Meter Reading	—Labor	61 81	1 81
235 32	+125 38	2607	" "	—M. & E.	14 87	1 35
251 65	+185 87	2608	Collecting	—Labor	19 41	+5 92
1 034 39	+35 16	2609	"	—M. & E.	86 23	+10 47
488 40	+236 15	2610	Customers Billing & Acctg	—Labor	41 43	+3 64
246 22	+8 58	2611	" " " "	—M. & E.	28 14	+21
375 79	256 94	2612	Delivering Bills	—Labor	28 89	24 39
201 38	+198 97	2613	"	—M. & E.	11 25	+23 13
25 30	+75 69	2614	Miscellaneous	—Labor	1 40	+10
23 17	+36 56	2615	"	—M. & E.	10 52	+9 13
—	—	2630	Uncollectible Accounts		—	—
71 68	3 06	2633	Rents—Billing Equipment		5 87	+42
181 83	34 83	2634	" —Other		15 53	4 53
4 795 56	+1 175 26		Total Cust. Acctg. & Coll. Exp.		389 71	+15 60
			Sales Promotion			
848 00	422 00	2700	Supervision	—Salaries	454 00	420 00
380 02	179 56	2701	"	—M. & E.	25 76	16 58
383 11	103 94	2704	Canvassing and Soliciting	—Salaries	40 19	18 81
209 86	+101 55	2705	" " "	—M. & E.	18 02	10 19
5 00	+455 00	2706	Commissions		—	—
—	—	2708	Demonstration	—Labor	—	—
5 00	5 00	2709	"	—M. & E.	—	—
—	—	2710	Advertising	—Labor	—	—
65 65	1 13	2711	"	—M. & E.	2 [illegible]	+12 86
20 38	20 38	2714	Miscellaneous	—Labor	3 52	2 52
16 36	15 41	2715	"	—M. & E.	2 25	2 25
—	—	2719	Rents		—	—

Indiana Gas Distribution Corporation

Month of December - 1941

12 Months To Date	Increase Over Previous Year	Acc't No.	Customers Accounting & Collecting		Current Month	Increase Over Previous Year
551 44	*554 37	2600	Supervision	—Labor	38 20	*7 80
308 68	127 60	2601	"	—M. & E.	20 17	13 15
37 32	*62 62	2602	Customers Contract & Orders	—Labor	2 80	*20
3 93	1 49	2603	" " " "	—M. & E.	13	13
31 77	*28 58	2604	Credit Investigation & Records	—Labor	2 80	*20
6 58	*6 91	2605	" " " " "	—M. & E.	26	26
720 71	*44 34	2606	Meter Reading	—Labor	61 81	1 81
235 32	*125 38	2607	" "	—M. & E.	14 87	1 35
251 65	*185 87	2608	Collecting	—Labor	19 41	*5 92
1 034 39	*35 16	2609	"	—M. & E.	86 23	*10 47
488 40	*236 15	2610	Customers Billing & Acctg	—Labor	41 43	*3 64
246 22	*8 58	2611	" " " "	—M. & E.	28 14	*21
375 79	256 94	2612	Delivering Bills	—Labor	28 89	24 39
201 38	*198 97	2613	"	—M. & E.	11 25	*23 13
25 30	*75 69	2614	Miscellaneous	—Labor	1 40	*10
23 17	*36 56	2615	"	—M. & E.	10 52	*9 13
—	—	2630	Uncollectible Accounts		—	—
*71 68	— 3 06	2633	Rents—Billing Equipment		5 87	*42
181 83	34 83	2634	" —Other		15 53	4 53
4 795 56	*1 175 26		Total Cust. Acctg. & Coll. Exp.		389 71	*15 60

12 Months To Date	Increase Over Previous Year	Acc't No.	Sales Promotion		Current Month	Increase Over Previous Year
848 00	422 00	2700	Supervision	—Salaries	454 00	420 00
380 02	179 56	2701	"	—M. & E.	25 76	16 58
383 11	103 94	2704	Canvassing and Soliciting	—Salaries	40 19	18 81
209 86	*101 55	2705	" " "	—M. & E.	18 02	10 19
5 00	*455 00	2706	Commissions		—	—
—	—	2708	Demonstration	—Labor	—	—
5 00	5 00	2709	"	—M. & E.	—	—
—	—	2710	Advertising	—Labor	—	—
65 65	1 13	2711	"	—M. & E.	2 86	*12 86
20 38	20 38	2714	Miscellaneous	—Labor	3 52	3 52
16 36	15 41	2715	"	—M. & E.	2 25	2 25
—	—	2719	Rents		—	—
1 933 38	190 87		Total Sales Promotion Expenses		546 60	458 49
(A)	(B)				(C)	(D)

*Indicates red figures.

6884

[fol. 16671]

(Exhibit 266.)

Columbia System

Indiana Gas Distribution Corporation

Gas Expenses 31

Month of December - 1941

12 Months To Date	Increase Over Previous Year	Acc't No.	Administrative & General		Current Month	Increase Over Previous Year
			Operation			
—	—	2800	General Officers	—Salaries	—	—
11 53	11 53	2801	" "	—Expenses	—	—
300 85	+2 71	2804	General Office Employees	—Salaries	25 00	—
54 16	+13 33	2805	" " "	—Expenses	—	+7 45
14 62	+18 90	2807	General Office Supplies and Expenses		—	—
323 32	+312 76	2809	Mgmt. & Supervision Fees & Expenses		26 90	49 33
50 00	25 00	2810	Special Services—Legal		50 00	50 00
446 69	96 96	2811	" " —Audit & Taxes		19 81	9 07
329 09	+319 10	2814	" " —Other		+15 88	+71 09
—	—	2815	Regulatory Commission Expenses		—	—
282 32	+6 30	2817	Insurance		53 61	28 86
1 008 01	+68	2819	Injuries and Damages		87 72	21
22	+45 22	2821	Employees Welfare Exp. Grp. Life Ins.		+38 49	+41 97
12 77	83	2823	" " " —Other		2 16	2 16
—	—	2824	Pensions		—	—
35 52	+10 18	2825	Miscellaneous General—Public Relations		16 50	16 50
1 00	+33 01	2829	" " —Other		—	—
—	—	2831	Franchise Requirements		—	—
—	—	2832	Rents—Accounting Equipment		—	—
—	—	2833	General Rents		—	—
549 11	+303 87	2835	Stores Expenses		34 86	+14 64
3 419 21	+935 40		Total Operation		262 19	20 98
			Maintenance			
		2850	Structures & Improvements			
		2852	General Office Furniture & Equipment			
		2854	Communication Equipment			
		2856	Miscellaneous General Equipment			
—	—		Total Maintenance		—	—
3 419 21	+935 40		Total Administrative & General Exp.		262 19	20 98
			Miscellaneous Duplicate Charges			
123 93	+58 79	2982	Adm. & Gen'l. Exp. Transf. to Constr.	—Credit	49 84	+132 88
—	—	2983	Joint Operating Expenses Trans.	—Credit	—	—
—	—	2985 1	Gas Used by Gas Dept. —for Power	—Credit	—	—
—	—	2985 2	" " " " " — " Mfd. Gas	—Credit	—	—
87 85	+12 30	2985 3	" " " " " — " Co. Bldgs.	—Credit	7 45	+13 90
—	—	2985 4	" " " " " — " Other	—Credit	—	—
—	—	2987	" " " Other Depts.	—Credit	—	—
—	—	2988	Free Gas	—Credit	—	—
564 54	+162 55	2989	Stores Expenses Transferred	—Credit	82 18	47 52
776 32	+233 64		Total Duplicate Charges		139 47	+99 26
336 676 02	+16 078 14		Total Operation		28 656 58	+4 095 49
1 980 35	736 44		Total Maintenance		53 58	+122 26
3 740 80	200 00	2990	Provision for Retirements		340 42	21 75
—	—	2992	Extraordinary Retirement Expenses		—	—
12 746 38	5 788 39	2996	Taxes—Federal		1 842 30	380 80
8 873 37	+69 42	2997	Taxes—State and Other		798 84	100 23
364 016 92	+9 422 73		Total Gas Expenses		31 691 72	+3 714 97

3869

Columbia System

Indiana Gas Distribution Corporation

Gas Expenses 31

Month of December - 1941

12 Months To Date	Increase Over Previous Year	Acc't No.	Administrative & General	Current Month	Increase Over Previous Year	Line
			Operation			1
—	—	2800	General Officers —Salaries	—	—	2
11 53	11 53	2801	" " —Expenses	—	—	3
300 85	*2 71	2804	General Office Employees —Salaries	25 00	—	4
34 16	*13 33	2805	" " " " —Expenses	—	*7 45	5
14 62	*18 90	2807	General Office Supplies and Expenses	—	—	6
323 32	*312 76	2809	Mgmt. & Supervision Fees & Expenses	26 90	49 33	7
50 00	25 00	2810	Special Services—Legal	50 00	50 00	8
446 69	96 96	2811	" " —Audit & Taxes	19 81	9 07	9
329 09	*319 10	2814	" " —Other	*15 88	*71 09	10
—	—	2815	Regulatory Commission Expenses	—	—	11
282 32	*6 30	2817	Insurance	53 61	28 86	12
1 008 01	*68	2819	Injuries and Damages	87 72	21	13
22	*45 22	2821	Employees Welfare Exp. Grp. Life Ins.	*38 49	*41 97	14
12 77	*2 83	2823	" " " —Other	2 16	2 16	15
—	—	2824	Pensions	—	—	16
35 52	*10 18	2825	Miscellaneous General—Public Relations	16 50	16 50	17
1 00	*33 01	2829	" " —Other	—	—	18
—	—	2831	Franchise Requirements	—	—	19
—	—	2832	Rents—Accounting Equipment	—	—	20
—	—	2833	General Rents	—	—	21
549 11	*303 87	2835	Stores Expenses	34 86	*14 64	22
						23
						24
						25
						26
3 419 21	*935 40		Total Operation	262 19	20 98	27
			Maintenance			28
		2850	Structures & Improvements			29
		2852	General Office Furniture & Equipment			30
		2854	Communication Equipment			31
		2856	Miscellaneous General Equipment			32
						33
						34
						35
						36
						37
						38
—	—		Total Maintenance	—	—	39
3 419 21	*935 40		Total Administrative & General Exp.	262 19	20 98	40
						41
			Miscellaneous Duplicate Charges			42
123 93	*58 79	2982	Adm. & Gen'l. Exp. Transf. to Constr. —Credit	49 84	*132 88	43
—	—	2983	Joint Operating Expenses Trans. —Credit	—	—	44
—	—	2985 1	Gas Used by Gas Dept.—for Power —Credit	—	—	45
—	—	2985 2	" " " " " — " Mfd. Gas —Credit	—	—	46
87 85	*12 30	2985 3	" " " " " — " Co. Bldgs. —Credit	7 45	*13 90	47
—	—	2985 4	" " " " " — " Other —Credit	—	—	48
—	—	2987	" " " Other Depts. —Credit	—	—	49
—	—	2988	Free Gas —Credit	—	—	50
564 54	*162 55	2989	Stores Expenses Transferred —Credit	82 18	47 52	51
						52
776 32	*233 64		Total Duplicate Charges	139 47	*99 26	53
						54
336 676 02	*16 078 14		Total Operation	28 656 58	*4 095 49	55
1 980 85	*836 44		Total Maintenance	53 58	*122 26	56
3 740 80	200 00	2990	Provision for Retirements	340 42	21 75	57
—	—	2992	Extraordinary Retirement Expenses	—	—	58
12 746 38	5 788 39	2996	Taxes—Federal	1 842 30	380 80	59
8 873 37	*69 42	2997	Taxes—State and Other	798 84	100 23	60
						61
						62
364 016 92	*9 422 73		Total Gas Expenses	31 691 72	*3 714 97	63
(A)	(B)			(C)	(D)	

*Indicates red figures.

 (Exhibit 266.)

Deliveries	Consumers Current Month	Consumers Increase Over Previous Year	MCF Current Month	MCF Increase Over Previous Year	Percent Increase	MCF ___ Months To-Date	Increase Over Previous Year	Percent Increase	MCF 12 Months To Date	Increase Over Previous Year	Per[cent] Incr[ease]
Retail											
Residential	1 689	136	7 922	404	5 4				64 435	*674	*1
Commercial	182	7	1 622	*391	*19 4				16 081	*573	*
Municipal and Other Public	9	—	52	*15	*22 4				460	33	7
Industrial †	1	—	98 615	*17 569	*15 4				1 222 643	44 423	3
Other	—	—	—	—	—				—	—	
Total Retail Sales	1 881	143	108 211	*17 571	*14 0				1 303 619	43 209	3
Wholesale											
Other Public Utilities †	—	—	—	—	—				—	—	
Other Utilities—Col. Sys. †	—	—	—	—	—				—	—	
Total Sales To Public	1 881	143	108 211	*17 571	*14 0				1 303 619	43 209	3
Inter-Company											
This Group †											
Other Groups †											
Total Inter-Company Sales			—	—	—				—	—	
Total All Sales			108 211	*17 571	*14 0				1 303 619	43 209	3
Miscellaneous Deliveries											
Company Use, Elec. Gen. Stations †			—	—	—				—	—	
Other Company Use, etc.			15	*27	*64 3				182	*18	*9
Free, Municipal and Other			—	—	—				—	—	
Total Miscellaneous Deliveries			15	*27	*64 3				182	*18	*9
Total Gas Deliveries			108 226	*17 598	*14 0				1 303 801	43 191	3
Available For Deliveries											
Purchased—Inter-Company											
This Group †			—	—	—				—	—	
Other Groups †			109 311	*16 513	*13 1				1 306 394	44 994	3
Total Purchased—Inter-Company			109 311	*16 513	*13 1				1 306 394	44 994	3
Purchased—Independents											
Natural Gas †											
Artificial Gas †											
Total Purchased—Independents			—	—	—				—	—	
Total Gas Purchased			109 311	*16 513	*13 1				1 306 394	44 994	3
Produced											
Natural Gas											
~~Artifical Gas~~											
Total Gas Produced			—	—	—				—	—	
Interchange Of Gas—Net			—	—	—				—	—	
Gas In Or Out Of Storage—Net			—	—	—				—	—	
Total Gas Available For Deliveries			109 311	*16 513	*13 1				1 306 394	44 994	3
Loss (Black) Gain (Red)			1 085	1 085	—				2 593	1 803	228
			(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)

† Detail on Page 53
* Indicates red figures
- Gas Statistics

Indiana Gas Distribution Corporation
Columbia System

Month of December — 1941

Acc't No.	Account Title	Balance First of Year	Current Year Additions	Current Year Retirements	Balance End of Period	
	Intangible Plant					1
201	Organization	119 52	—	—	119 52	2
202	Franchises and Consents					3
202-1	Perpetual	355 56	—	—	355 56	4
202-2	Limited					5
203	Miscellaneous Intangible Plant	10 938 90	—	—	10 938 90	6
	Production Plant—Natural Gas					7
210	Land and Land Rights					8
210-1	Gas Land Owned in Fee					9
210-2	Gas Land Leaseholds					10
210-3	Gas Land Rights					11
210-4	Rights-of-Way					12
210-5	Other Land					13
210-6	Other Land Rights					14
211	Structures and Improvements					15
211-1	Gas Well Structures					16
211-2	Field Measuring and Regulating Station Structures					17
211-3	Other Production System Structures					18
212	Gas Wells					19
212-1	Gas Well Construction					20
212-2	Gas Well Equipment					21
213	Gathering Lines					22
214	Measuring and Regulating Equipment					23
215	Drilling and Cleaning Equipment					24
216	Purification Equipment					25
217	Miscellaneous Production Equipment					26
	Production Plant—Manufactured Gas					27
220	Land and Land Rights					28
220-1	Land					29
220-2	Land Rights					30
221	Structures and Improvements					31
222	Boiler Plant Equipment					32
223	Other Power Equipment					33
224	Benches and Retorts					34
225	Coke Ovens					35
226	Producer Gas Equipment					36
227	Water Gas Generating Equipment					37
228	Petroleum Gas Equipment					38
229	Other Gas Generating Equipment					39
230	Gas Reforming Equipment					40
231	Purification Equipment					41
232	Residual Refining Equipment					42
233	Miscellaneous Production Equipment					43
233-1	Coal, Coke and Ash Handling Equipment					44
233-2	Other Miscellaneous Production Equipment					45
						46
	Amount Carried Forward	11 413 98	—	—	11 413 98	47
		(A)	(B)	(C)	(D)	

[fol. 16674] (Exhibit 266.)

Acc't No.	Account Title	Balance First of Year	Current Year Additions	Current Year Retirements	Balance End of Period	
	Amount Brought Forward	11 413 98	—	—	11 413 98	1
	Storage Plant					2
235	Land and Land Rights					3
235-1	Land					4
235-2	Land Rights					5
236	Structures and Improvements					6
237	Gas Holders					7
238	Gas Storage Wells					8
238-1	Gas Storage Well Construction					9
238-2	Gas Storage Well Equipment					10
239	Miscellaneous Storage Equipment					11
						12
	Transmission Plant					13
240	Land and Land Rights					14
240-1	Land					15
240-2	Land Rights					16
240-3	Rights-of-Way	2 677 89	*3 25	—	2 674 64	17
242	Structures and Improvements					18
242-1	Compressor Station Structures					19
242-2	Transmission System Measuring and Regulating Station Structures					20
242-3	Other Transmission System Structures					21
243	Compressor Station Equipment					22
244	Measuring and Regulating Equipment					23
245	Mains	35 652 86	189 88	128 96	35 713 78	24
246	Miscellaneous Transmission Equipment					25
						26
	Distribution Plant					27
250	Land and Land Rights					28
250-1	Land	375 45	93 99	—	469 44	29
250-2	Land Rights		1 01		1 01	30
250-3	Rights-of-Way	91 17	79 55	—	170 72	31
251	Structures and Improvements	1 041 18	—	—	1 041 18	32
252	Pumping, Regulating and Measuring Equipment	1 884 91	*95 00	—	1 789 91	33
253	Mains	67 205 23	1 241 38	—	68 446 61	34
259	Services	26 173 05	2 253 35	38 41	28 387 [illegible]	35
260	Meters					36
260-1	Meters	18 095 34	4 315 90	2 640 52	19 770 72	37
260-2	Meter Installations	5 175 90	355 72	21 13	5 510 49	38
260-3	House Regulators	15 432 11	*4 095 03	293 15	11 043 93	39
260-4	Industrial Measuring Installations Included in a/c 252					40
260-5	House Regulator Installations	794 24	5 916 45	258 83	6 451 86	41
261	Other Property on Customers' Premises	4 31	—	—	4 31	42
263	Street Lighting Equipment					43
264	Miscellaneous Distribution Equipment	190 00	—	—	190 00	44
	Since Jan. 1st, 1940 Previous to Jan. 1st					45
	1940 in a/c 260-3					46
	Amount Carried Forward	186 207 62	10 253 95	3 381 00	193 080 57	47
		(A)	(B)	(C)	(D)	

Detail Of
Property, Plant And Equipment
Gas

Indiana Gas Distribution Corporation
Columbia System

For Period Ended December 31, 1941

*Indicates red figures.

[fol. 16675]

(Exhibit 266.)

Acc't No.	Account Title	Balance First of Year	Current Year Additions	Current Year Retirements	Balance End of Period	
	Amount Brought Forward	186 207 62	10 253 95	3 381 00	193 080 57	1
	General Plant					2
270	Land and Land Rights					3
270-1	Land	—				4
270-2	Land Rights	—				5
271	Structures and Improvements	—				6
272	Office Furniture and Equipment	788 22	—	—	788 22	7
273	Transportation Equipment	—				8
273-1	Automobiles and Trucks	3 056 55	59 32	—	3 115 87	9
273-2	Other Automotive Equipment	—	—	—	—	10
273-3	Trailers	85 34	118 20	—	203 54	11
273-4	Other	—	—	—	—	12
274	Stores Equipment	—	—	—	—	13
275	Shop Equipment	—	—	—	—	14
276	Laboratory Equipment	—	—	—	—	15
277	Tools and Work Equipment	768 75	—	—	768 75	16
278	Communication Equipment	—	—	—	—	17
279	Miscellaneous General Equipment	—	—	—	—	18
290	Other Tangible Property					26
291	Gas Plant Purchased					27
292	Gas Plant Sold					28
293	Gas Plant in Process of Reclassification					29
	Total Gas Plant In Service	190 906 48	10 431 47	3 381 00	197 956 95	37
1-22	Gas Plant Leased to Others					38
1-23	Gas Plant Held for Future Use					39
1-24	Gas Plant Acquisition Adjustments					40
1-25	Gas Plant Adjustments					41
	Total Property, Plant And Equipment—Gas Page 1—Line 14	190 906 48	10 431 47	3 381 00	197 956 95	47
		(A)	(B)	(C)	(D)	

Detail Of Property, Plant And Equipment Gas

Indiana Gas Distribution Corporation Columbia System

For Period Ended December 31, 1941

[fol. 16676] Federal Power Commission--May 7-1942—Received

Exhibit 267

Schedule 1
Page 1

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Comparative Balance Sheets — Per Books
March 31, 1942 And March 31, 1941

Line No.	(A)	March 31st 1942 (B)	1941 (C)	Increase or Decrease (D)
1	Assets			
2	Gas Plant	$85 156 035 11	$66 407 005 40	$18 749 029 71
3	Investments And Fund Accounts			
4	Other Investments	3 297 115 55 (1)	218 928 55	3 078 187 00
5	Current And Accrued Assets			
6	Cash	6 949 285 99	5 791 163 10	1 158 122 89
7	Special Deposits	200 017 25	1 665 828 23	*1 465 810 98
8	Working Funds (Petty Cash			
9	and Advances)	20 774 44	8 937 07	11 837 37
10	Accounts Receivable	1 806 209 46	1 460 521 07	345 688 39
11	Interest and Dividends			
12	Receivable	8 470 73	691 57	7 779 16
13	Materials and Supplies	541 129 21	259 513 00	281 616 21
14	Prepayments	197 199 76	157 185 25	40 014 51
15	Total Current and Accrued Assets	9 723 086 84	9 343 839 29	379 247 55
16	Deferred Debits			
17	Unamortized Debt Discount			
18	and Expense		2 158 254 43	*2 158 254 43
19	Clearing Accounts	13 200 67	5 609 86	7 590 81
20	Retirement Work in Progress	*1 145 77	4 577 40	*5 723 17
21	Other Work in Progress	298 803 89	655 560 49	*356 756 60
22	Other Deferred Debits	63 786 73	349 20	63 437 53
23	Total Deferred Debits	374 645 52	2 824 351 38	*2 449 705 86
24	Total Assets And Other Debits	$98 550 883 02	$78 794 124 62	$19 756 758 40

*Indicates red figures.

This Exhibit was requested at T 10,583 and should be added to the Permanent file of Exhibits received.

S. H. Crosby, Trial Examiner,
May 8, 1942

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Comparative Balance Sheets — Per Books
March 31, 1942 And March 31, 1941

Line No.	(A)	March 31st 1942 (B)	March 31st 1941 (C)	Increase or Decrease (D)
1	Liabilities			
2	Capital Stock			
3	Common Capital Stock	$20 184 175 00	$20 184 175 00	—
4	Preferred Capital Stock	16 000 000 00	11 000 000 00	$ 5 000 000 00
5	Total Capital Stock	36 184 175 00	31 184 175 00	5 000 000 00
6	Long-Term Debt			
7	Bonds	28 250 000 00	18 250 000 00	10 000 000 00
8	Miscellaneous Long-Term Debt	5 004 500 88	5 022 113 66	*17 612 78
9	Total Long-Term Debt	33 254 500 88	23 272 113 66	9 982 387 22
10	Current And Accrued Liabilities			
11	Accounts Payable	511 684 35	228 323 92	283 360 43
12	Dividends Declared	418 683 50	165 000 00	253 683 50
13	Matured Long-Term Debt	94 781 25	1 659 795 23	*1 565 013 98
14	Matured Interest	3 720 00	5 380 00	*1 660 00
15	Customers' Deposits	1 555 00	—	1 555 00
16	Taxes Accrued	4 941 583 65	2 975 199 46	1 966 384 19
17	Interest Accrued	300 401 98	225 260 41	75 111 57
18	Other Current and Accrued			
19	Liabilities	4 969 28	2 410 10	2 559 18
20	Total Current and Accrued			
21	Liabilities	6 277 379 01	5 261 369 12	1 016 009 89
22	Deferred Credits			
23	Other Deferred Credits	45 342 61	43 355 32	1 987 29
24	Reserves			
25	Reserve for Depreciation of			
26	Gas Plant	12 428 678 60	8 929 025 92	3 499 652 68
27	Reserve for Amortization and			
28	Depletion of Producing Natural			
29	Gas Land and Land Rights	465 126 01	381 535 00	83 591 01
30	Reserve for Abandoned Leases	438 217 20	371 458 24	66 758 96
31	Reserve for Uncollectible Accounts	58 665 36	42 119 88	16 545 48
32	Injuries and Damages Reserve	134 354 12	89 249 74	45 104 38
33	Other Reserves	944 704 59	624 800 94	319 903 65
34	Total Reserves	14 469 745 88	10 438 189 72	4 031 556 16
35	Contributions In Aid Of			
36	Construction	55 050 53	40 596 91	14 453 62
37	Surplus			
38	Paid in Surplus (Premium on 5.60%			
39	Cumulative Preferred Stock)	42 489 93	—	42 489 93
40	Earned Surplus	8 222 199 18(2)	8 554 324 89	*332 125 71
41	Total Surplus	8 264 689 11	8 554 324 89	*289 635 78
42	Total Liabilities And Other			
43	Credits	$98 550 883 02	$78 794 124 62	$19 756 758 40

*Indicates red figures.

[fol. 16678] Exhibit 267

Schedule 1

Page 3

Panhandle Eastern Pipe Line Company and Subsidiary Companies Notes to Balance Sheets

Line No.		(A)
1	(1)	Including $3,110,000 principal amount of United
2		States Treasury Notes of Tax Series B—1942a
3		(Tax anticipation Notes)
4	(2)	Surplus is restricted by supplement dated Jan-
5		uary 1, 1942 to the Mortgage and Deed of Trust
6		dated November 1, 1940 as to payment of divi-
7		dends, in the amount of $2,849,476.45.

[fol. 16679]

Exhibit 267

Panhandle Eastern Pipe Line Company And Subsidiary Companies

Comparative Earnings Summary — Per Books

Three Months Ended March 31, 1942 And March 31, 1941

Schedule 2
Page 1

Line No.	(A)	1942 (B)	1941 (C)	Increase or Decrease (D)
		Three Months Ended March 31		
1	Income			
2	Operating Revenues			
3	Gas			
4	Residential	$ 31 394 68	$ 25 743 59	$ 5 651 09
5	Commercial	5 615 27	5 312 82	302 45
6	Industrial	274 028 12	258 374 28	15 653 84
7	Sales to Gas Utilities	5 294 397 44	4 689 851 54	604 545 90
8	Other Sales — Field	9 10	43 20	*34 10
9	Gasoline	207 918 44	128 410 96	79 507 48
10	Pipe Line Rentals	3 000 00	2 250 00	750 00
11	Miscellaneous	3 578 54	2 174 58	1 403 96
12	Total Operating Revenues	5 819 941 59	5 112 160 97	707 780 62
13	Operating Revenue Deductions			
14	Operation and Maintenance			
15	Production	168 890 23	152 209 47	16 680 76
16	Gas Purchased	378 884 90	356 372 20	22 512 70
17	Transmission	645 760 43	496 238 02	149 522 41
18	Distribution	2 434 22	2 498 25	*64 03
19	Customers Accounting and			
20	Collecting	9 105 81	7 113 62	1 992 19
21	Sales Promotion	5 635 03	8 932 45	*3 297 42
22	Administrative and General	229 109 76	204 402 40	24 707 36
23	Non-Operating Expense	1 934 49	1 404 02	530 47
24	Gas Used in Operating Etc. —			
25	Credit	*288 720 18	*246 442 82	*42 277 36
26	Depreciation (Including Amorti-			
27	zation)	696 722 84	674 779 61	21 943 23
28	Amortization and Depletion of			
29	Producing Land and Land Rights	27 961 34	24 547 39	3 413 95
30	Abandoned Leases	18 587 21	18 962 77	*375 56
31	Amortization of Other Limited			
32	Term Gas Investments	83 169 59	83 509 67	*340 08
33	Charges in Lieu of Federal Income			
34	and Excess-Profits Taxes		236 300 00	*236 300 00
35	Taxes			
36	State, Local and Miscellaneous			
37	Federal	233 113 59	236 838 56	*3 724 97
38	Federal Income	875 135 05	584 685 49	290 449 56
39	Federal Excess-Profits	1 034 539 62	348 883 97	685 655 65
40	Total Operative Revenue Deduc-			
41	tions	4 122 263 93	3 191 235 07	931 028 86
42	Net Operating Revenue	1 697 677 66	1 920 925 90	*223 248 24
43	Other Income			
44	Interest Revenues	7 228 88	4 579 28	2 649 60
45	Gross Income	$1 704 906 54	$1 925 505 18	$*220 598 64

*Indicates red figures.

[fol. 16680]

Exhibit 267

Panhandle Eastern Pipe Line Company And Subsidiary Companies Schedule 2

Comparative Earnings Summary — Per Books

Three Months Ended March 31, 1942 And March 31, 1941 Page 2

Line No.	(A)	Three Months Ended March 31 1942 (B)	1941 (C)	Increase or Decrease (D)
1	Income Deductions			
2	Interest on Long-Term Debt	$ 230 348 39	$ 377 357 38	$*147 008 99
3	Amortization of Debt Discount and			
4	Expense	—	27 486 70	*27 486 70
5	Other Interest Chares	8 826 31	2 092 75	6 733 56
6	Interest Charged to Construction			
8	Credit	52 131 02	—	52 131 02
8	Total Income Deductions	187 043 68	406 936 83	*219 893 15
9	Net Income	$1 517 862 86	$1 518 568 35	$ *705 49
10	Notes:			

11 The provision for Federal Income and Excess-Profits Taxes for the three
12 month period ended March 31, 1942 while based on the Revenue Act of
13 1941 includes an amount in anticipation of new legislation.

14 The operations of Michigan Gas Transmission Corporation and Indiana Gas
15 Distribution Corporation (Companies acquired February 6, 1942) are in-
16 cluded in figure for the three month period ended March 31, 1941 which
17 have been restated in certain instances for purpose of comparison.

*Indicates red figures.

Exhibit 267

Panhandle Eastern Pipe Line Company and Subsidiary Companies — Schedule 3

Adjusted Comparative Earnings Summary

Three Months Ended March 31, 1942 And March 31, 1941 — Page 1

Line No	(A)	Three months ended March 31st 1942 (B)	1941 (C)	Increase or Decrease (D)
1	Income			
2	Operating Revenues			
3	Gas			
4	Residential	$ 31 394 68	$ 25 743 59	$ 5 651 09
5	Commercial	5 615 27	5 312 82	302 45
6	Industrial	274 028 12	258 374 28	15 652 84
7	Sales to Gas Utilities	5 294 397 44	4 689 851 54	604 545 90
8	Other Sales—Field	9 10	43 20	*34 10
9	Gasoline	207 918 44	128 410 96	79 507 48
10	Pipe Line Rentals	3 000 00	2 250 00	750 00
11	Miscellaneous	3 578 54	2 174 58	1 403 96
12	Total Operating Revenues	5 819 941 59	5 112 160 97	707 780 62
13	Operating Revenue Deductions			
14	Operation and Maintenance			
15	Production	168 890 23	152 209 47	16 680 76
16	Gas Purchased	378 884 90	356 372 20	22 512 70
17	Transmission	645 760 43	496 238 02	149 522 41
18	Distribution	2 434 22	2 498 25	*64 03
19	Customers Accounting and			
20	Collecting	9 105 81	7 113 62	1 992 19
21	Sales Promotion	5 635 03	8 932 45	*3 297 42
22	Administrative and General	229 109 76	204 402 40	24 707 36
23	Non-Operating Expense	1 934 49	1 404 02	530 47
24	Gas Used in Operation, etc			
25	Credit	*288 720 18	*246 442 82	*42 277 36
26	Depreciation (Including Amorti-			
27	zation)	696 722 84	674 779 61	21 943 23
28	Amortization and Depletion of			
29	Producing Land and Land Rights	27 961 34	24 547 39	3 413 95
30	Abandoned Leases	18 587 21	18 962 77	*375 56
31	Amortization of Other Limited			
32	Term Gas Investments	83 169 59	83 509 67	*340 08
33	Charges in Lieu of Federal Income			
34	and Excess Profits Taxes		236 300 00	*236 300 00
35	Taxes			
36	State, Local and Miscellaneous			
37	Federal	233 113 59	236 838 56	*3 724 97
38	Federal Income	1 117 900 00	584 685 49	533 214 51
39	Federal Excess Profits	1 103 500 00	348 883 97	754 616 03
40	Total Operating Revenue Deduc-			
41	tions	4 433 989 26	3 191 235 07	1 242 754 19
42	Net Operating Revenue	1 385 952 33	1 920 925 90	*534 978 57
43	Other Income			
44	Internal Revenues	7 228 88	4 579 28	2 649 60
45	Gross Income	$1 392 181 21	$1 925 505 18	$*532 323 97

*Indicates red figures

[fol. 16682]

Exhibit 267

Panhandle Eastern Pipe Line Company And Subsidiary Companies

Adjusted Comparative Earnings Summary

Three Months Ended March 31, 1942 And March 31, 1941

Schedule 3

Page 2

Line No.	(A)	Three months ended March 31st 1942 (B)	1941 (C)	Increase or Decrease (D)
1	Income Deductions			
2	Interest on Long Term Debt	$ 230 348 39	$ 377 357 38	$*147 008 99
3	Amortization of Debt Discount			
4	and Expense	—	27 486 70	*27 486 70
5	Other Interest Charges	8 826 31	2 092 75	6 733 56
6	Interest Charged to Construction —			
7	Credit	52 131 02	—	52 131 02
8	Total Income Deductions	187 043 68	406 936 83	*219 893 15
9	Net Income	$1 206 137 53	$1 518 568 35	$*312 430 82

10 Notes:

11 The provision for Federal Income and Excess Profits Taxes for the three
12 months period ended March 31, 1942 is based upon rates proposed by the
13 Secretary of Treasury Morgenthau before the House Ways and Means Com-
14 mittee March 3, 1942.

15 The operation of Michigan Gas Transmission Corporation and Indiana Gas
16 Distribution Corporation (companies acquired February 6, 1942) are in-
17 cluded in figure for the three month period ended March 31, 1941 which
18 have been restated in certain instances for purpose of comparison.

*Indicates red figures.

[fol. 16683] Exhibit 267 Schedule 1
Page 1

Panhandle Eastern Pipe Line Company And Subsidiary Companies
(Including Michigan Gas Transmission Corporation And
Indiana Gas Distribution Corporation)
Gas Plant — Per Books
March 31, 1942

Line No.	(A)	(B)
1	Intangible Plant	
2	Organization	$ 125 625 13
3	Franchises and consents	355 56
4	Miscellaneous intangible plant	149 033 79
5	Totals Intangible Plant	275 014 48
6	Production Plant	
7	(a) Natural Gas Production Plant	
8	Natural gas producing leaseholds — drilled	1 019 620 67
9	Natural gas producing leaseholds — not drilled	750 901 54
10	Other land and land rights	299 00
11	Other production system structures	47 797 15
12	Producing gas wells — well construction	2 078 583 48
13	Producing gas wells — well equipment	609 458 21
14	Drilling and cleaning equipment	20 696 46
15	Purification and residual refining equipment	704 284 31
16	Other production equipment	826 16
17	Totals Natural Gas Production Plant	5 232 466 98
18	Transmission Plant	
19	Land	142 944 68
20	Land rights	1 437 601 30
21	Pumping station structures	1 867 564 71
22	Measuring and regulating station structures	127 595 28
23	Other transmission structures	516 432 59
24	Mains	56 267 396 00
25	Pumping station equipment	10 808 989 25
26	Measuring and regulating station equipment	680 555 56
27	Other transmission equipment	48 022 42
28	Totals Transmission Plant	$71 897 101 79

[fol. 16684] Exhibit 267 Schedule 4
Page 2

Panhandle Eastern Pipe Line Company And Subsidiary Companies
(Including Michigan Gas Transmission Corporation And
Indiana Gas Distribution Corporation)
Gas Plant — Per Books
March 31, 1942

Line No.	(A)	(B)
1	Distribution Plant	
2	Land and land rights	$ 641 17
3	Structures and improvements	1 041 18
4	Mains	68 446 61
5	Pumping and regulating equipment	1 789 91
6	Services	28 383 30
7	Meters	18 976 52
8	Meter installations	5 496 89
9	House regulators and installations	17 225 09
10	Other distribution equipment	194 31
11	Totals Distribution Plants	142 194 98
12	General Plant	
13	General office structures	—
14	Office furniture and equipment	104 497 41
15	Transportation equipment	173 219 02
16	Stores equipment	1 979 30
17	Shop equipment	—
18	Laboratory equipment	6 550 71
19	Tools and work equipment	59 494 24
20	Communication equipment	370 556 79
21	Miscellaneous equipment	2 097 05
22	Totals General Plant	718 394 52
23	Other Undistributed Gas Plant	
24	Undistributed gas plant	19 730 34
25	Gas plant purchased	439 326 08
26	Totals Other Undistributed Gas Plant	459 056 42
27	Total Gas Plant Classified	78 724 229 17
28	Construction work in progress	5 120 495 16
29	Gas sales and purchase contracts	2 930 286 40
30	Reserve for amortization of gas sales and purchase contracts	*1 831 428 75
31	Other gas sales and purchase contracts	351 953 13
32	Consolidation reduction in investment in subsidiary company	*139 500 00
33	Gas Plant	$85 156 035 11

*Indicates red figures.

• • • • • • •

[fol. 16686] Petition.

(Received February 28, 1941, Federal Power Commission.)

Before the

Federal Power Commission.

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

No. G-200 vs.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Petition

To the Honorable Members of the Federal Power Commission:

The City of Detroit and the County of Wayne, municipal corporations in the State of Michigan, respectfully show:

First: The complainants are the City of Detroit, a municipal corporation, and the County of Wayne, a municipal corporation, both established and existing under and by virtue of the laws of the State of Michigan, and both of which are municipalities within the meaning of the Federal Natural Gas Act. Said petitioners represent the interest of the customers of Michigan Consolidated Gas Company which distributes natural gas having its source in Texas and Kansas to approximately 450,000 residential, house heating, commerical and industrial customers in the City of Detroit and in and throughout the County of Wayne, in the State of Michigan.

[fol. 16687] Second: The defendant, Panhandle Eastern Pipe Line Company, is a corporation organized and existing under the laws of the State of Delaware, and is engaged in the transmission and sale of natural gas in interstate commerce, transporting said gas from fields in the states of Texas and Kansas to the lines of Michigan Consolidated Gas Company, in the County of Wayne, State of Michigan, in the vicinity of the City of Detroit, and said Panhandle Eastern Pipe Line Company sells said natural gas to said

Michigan Consolidated Gas Company at said point of delivery aforesaid.

Third: Michigan Gas Transmission Corporation is a corporation organized and existing under the laws of the State of Delaware, and is a natural gas company as defined by the Federal Natural Gas Act, being engaged in the transmission of natural gas from the State of Indiana in and to the State of Michigan, and that said Michigan Gas Transmission Company is engaged in the transportation of the natural gas being sold by Panhandle Eastern Pipe Line Company to Michigan Consolidated Gas Company, transporting said natural gas from the Illinois-Indiana state line to said distribution system of Michigan Consolidated Gas Company near the City of Detroit in the County of Wayne, performing said transportation service for said Panhandle Eastern Pipe Line Company under contract. Said Michigan Gas Transmission Corporation is affiliated with said Panhandle Eastern Pipe Line Company in that both of said companies are controlled by Columbia Gas and Electric Company.

Fourth: The rates and charges of said Panhandle Eastern Pipe Line Company to Michigan Consolidated Gas Company are governed by a certain contract dated August 31, 1935, between Panhandle Eastern Pipe Line Company and Detroit City Gas Company, the predecessor of Michigan Consolidated Gas Company, as amended by supplemental agreements. Under the terms of said contract as supplemented, there is provided a demand charge of 58 cents per therm per month, based upon the maximum daily demand in the months of December, January, February and March, and a commodity charge of 1.5 cents per therm. [fol. 16688] A special provision is made in respect to computing the cost of gas for house heating customers up to a maximum of 25,000 customers. There are at the present time approximately 40,000 house heating customers and there are available a large number of additional customers for house heating gas.

Fifth: Under the terms of said contract, the cost of gas to Michigan Consolidated Gas Company cannot be definitely known, but said average cost has varied from a low of approximately 32 cents per thousand cubic feet of natural

gas, to upwards of 34 cents. The cost of house heating gas for the first 25,000 customers has been approximately 41 cents per thousand cubic feet, but for customers in excess of 25,000, the price of said gas as the same may be estimated, will be approximately 62 cents per thousand cubic feet. The exact price of said gas cannot be known until the maximum day's delivery during the winter season of 1940-1941 is ascertained, and the demand charge computed upon said maximum delivery will be applicable for one year from and after April 1st, 1941.

Sixth: Your petitioners charge that the cost of gas to said Michigan Consolidated Gas Company is excessive and that the rates and charges maintained by Panhandle Eastern Pipe Line Company and the division thereof to Michigan Gas Transmission Corporation are unjust and unreasonable as the same affect the interest of domestic and house heating customers of Michigan Consolidated Gas Company for said gas, and said rates, charges and divisions are unjust and unreasonable as they affect the rates and charges of said Michigan Consolidated Gas Company in the commercial and industrial classifications.

Seventh: Said Panhandle Eastern Pipe Line Company, in violation of the provisions of the Natural Gas Act, maintains an unreasonable difference in rates and charges as between house heating customers, and has adopted a general system and plan whereby a demand for house heating service should be fostered, and when said demand should result in the acquisition of substantially more than 25,000 [fol. 16689] customers, a marked increase in cost for such additional customers should ensue, with the result that the claim would arise on the part of Michigan Consolidated Gas Company for a general increase in the house heating rate. That such claim has already materialized and has found favor with the Michigan Public Service Commission, the body having the authority to fix rates for Michigan Consolidated Gas Company, and said Michigan Public Service Commission has granted an increase in said house heating rate and has predicated said increase upon the additional cost of gas to serve house heating customers in excess of 25,000, as provided by the contract above referred to.

Eighth: Wherefore, the complainants pray for an investigation by the Federal Power Commission, a finding that the rates and charges of said Panhandle Eastern Pipe Line Company are unjust and unreasonable, are unlawfully preferential and work undue prejudices and disadvantages, and that said rates shall be reduced below the present schedules, and that a fair and reasonable rate shall be established in respect to natural gas sold and transmitted by the defendants for the use of customers in said Detroit district and in said County of Wayne, and that the demand charge feature practiced by said defendants may be prohibited.

CITY OF DETROIT,
By Paul E. Krause,
Corporation Counsel.
James H. Lee,
Assistant Corporation Counsel,
Attorneys for City of Detroit,
301 City Hall, Detroit, Mich.

COUNTY OF WAYNE,
By William E. Dowling,
Prosecuting Attorney.
Harold Goodman,
Special Counsel.
Attorneys for County of Wayne,
1300 Beaubien Street,
Detroit, Michigan.

[fol. 16696] State of Michigan,
County of Wayne,—ss.:

Paul E. Krause and James H. Lee, both of the city of Detroit, County of Wayne and State of Michigan, being first duly sworn, depose and say that they are the Corporation Counsel and Assistant Corporation Counsel, respectively, of the City of Detroit, State of Michigan, a municipal corporation, Complainant herein; that they have read the foregoing complaint by them subscribed and that the statements and allegations contained therein are true.

PAUL E. KRAUSE,
JAMES H. LEE.

Subscribed and sworn to before me and subscribed in my presence this 26th day of February, A. D. 1941.

GORDON N. McKEE,
Notary Public, Wayne County, Michigan
My Commission Expires: Jan. 30, 1942.

State of Michigan,
County of Wayne,—ss.:

Harold Goodman, of the City of Detroit, County of Wayne and State of Michigan, being first duly sworn, deposes and says that he is Special Assistant Prosecuting Attorney for the County of Wayne, State of Michigan, a municipal corporation, Complainant herein; that he has read the foregoing complaint by him subscribed and that the statements and allegations contained therein are true.

HAROLD GOODMAN.

Subscribed and sworn to before me and subscribed in my presence this 26th day of February, A. D. 1941.

GORDON N. McKEE,
Notary Public, Wayne County, Michigan,
My Commission Expires: Jan. 30, 1942.

[fol. 1669f] From the Corporation Counsel

February 19, 1941.

To the Honorable, the Common Council:

Gentlemen—In conjunction with the investigation made by this Department incidental to the natural gas rate schedules, we have done considerable work with reference to the so-called gate rate contracts between the Detroit City Gas Company (now Michigan Consolidated Gas Company), and the Panhandle Eastern Pipe Line Company and the Michigan Gas Transmission Company.

At the time these contracts were executed, there was no Federal or other agency which had jurisdiction over the contracts, despite the fact that the Pipe Line companies were engaged in interstate commerce. However, during the past three years, the United States Congress passed an act amending the Federal Power Commission Act, and which, in effect, gives the Federal Power Commission the

same jurisdiction over pipe lines as it has over interstate power transmission facilities.

Inasmuch as there has been a great deal of controversy over the provisions of the contracts, above referred to, it is our firm opinion that the public's interest could be best protected by petitioning the Natural Gas Division of the Federal Power Commission to make a thorough investigation of these gate rate contracts. This position is concurred in by the Prosecuting Attorney of Wayne County, who has co-operated with the City in the gas rate schedule hearings before the Michigan Public Service Commission.

We, therefore, recommend that your Honorable Body approve the filing of such a petition on behalf of the City and the County of Wayne, as represented by the Prosecuting Attorney, and suggest the adoption of the enclosed resolution.

Very truly yours,

JAMES H. LEE,
Assistant Corporation Counsel.

Approved:

PAUL E. KRAUSE,
Corporation Counsel.

By Councilman Ewald:

Whereas, the Corporation Counsel has recommanded that it is in the public's interest for the City of Detroit to file a petition with the Natural Gas Division of the Federal Power Commission, praying that such Commission make a thorough investigation of the existing contracts between the Michigan Consolidated Gas Company and the Panhandle Eastern Pipe Line Company and the Michigan Gas Transmission Company, which contracts provide for the delivery of natural gas to the City of Detroit; and

Whereas, the Prosecuting Attorney of Wayne County, who has co-operated with the City in the hearings respecting natural gas rate schedules before the Michigan Public Service Commission, concurs in the opinion that such a petition should be filed with the Federal Power Commission.

Now, therefore be it Resolved, that on behalf of the City of Detroit, this Common Council does approve of the sug-

gestion of the Corporation Counsel and does recommend and authorize that such a petition be filed by the Corporation Counsel jointly on behalf of the City of Detroit and the Prosecuting Attorney on behalf of the County of Wayne.

Adopted as follows:

Yeas—Councilmen Ewald, Garlick, Hamilton, Lodge, Sweeny, Van Antwerp and the President—7.

Nays—None.

True Copy Certificate.

State of Michigan,
City of Detroit,—ss.:
City Clerk's Office, Detroit.

I, Thomas D. Leadbetter, City Clerk of the City of Detroit, in said State, do hereby certify that the annexed paper is a true copy of a Resolution adopted by the Common Council, at a session held on the 25th day of February, 1941, as appears from the Journal of said Common Council remaining in the office of the City Clerk of Detroit, aforesaid; that I have compared the same with the original, and the same is a correct transcript therefrom, and of the whole of such original.

In Witness Whereof, I have hereunto set my hand and affixed the corporate seal of said City, at Detroit, this 26th day of February, A. D. 1941.

THOMAS D. LEADBETTER,
(Seal) City Clerk.

[fol. 16693] Separate Answer of Michigan Gas Transmission Corporation

(Received March 28, 1941, Federal Power Commission.)

Before the

Federal Power Commission

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, Defendants.

To the Honorable Members of the Federal Power Commission:

Michigan Gas Transmission Corporation, defendant, for its separate answer to the petition of the complainants, respectfully shows to the Commission as follows:

First: In answer to the paragraph of the complaint numbered First: defendant admits the allegations of the first sentence thereof. It also admits the allegation of the second sentence thereof that Michigan Consolidated-Gas Company distributes natural gas having its source in Texas and Kansas to customers in the City of Detroit and in the County of Wayne, State of Michigan, but as to the remainder of the allegations of said second sentence it denies knowledge or information thereof sufficient to form a belief.

Second: In answer to the paragraph of the complaint numbered Second: defendant admits the allegations thereof, except that it states that the line of Panhandle Eastern [fol. 16694] Pipe Line Company terminates at a point in Indiana near the Illinois-Indiana state line, at which point its pipe line connects with the pipe line of the defendant Michigan Gas Transmission Corporation which transports the gas from that point to the line of the Michigan Consolidated Gas Company in the County of Wayne, State of Michigan, where it delivers said gas sold by Panhandle Eastern Pipe Line Company to said Michigan Consolidated Gas Company for the account of Panhandle Eastern Pipe Line Company.

Third: In answer to the paragraph of the complaint numbered Third: defendant admits the allegations of the first sentence thereof. It admits the allegation of the second sentence thereof that Michigan Gas Transmission Corporation is controlled by Columbia Gas & Electric Corporation, but it denies the remaining allegations of said second sentence.

Fourth: In answer to the paragraph of the complaint numbered Fourth, it admits the allegations of the first sentence of paragraph Fourth, but it denies that the al-

legations of the second and third sentences of said paragraph Fourth correctly state the terms of the contract referred to as amended and it states that the demand charge provided for in said contract as amended is 38 cents per therm per month instead of 58 cents, and prays leave in general to refer to the provisions of said contract as amended for an accurate statement of the terms thereof. It admits upon information and belief that there are at the present time approximately 40,000 househeating customers but denies any information or knowledge sufficient to form a belief as to the remaining allegations of the last sentence of said paragraph Fourth.

[fol. 16695] Fifth: In answer to the paragraph of the complaint numbered Fifth: It denies that the average cost of gas to Michigan Consolidated Gas Company under the terms of said contract as amended varied from a low of approximately 32 cents per thousand cubic feet of natural gas to upwards of 34 cents and alleges that such average cost for the year 1937 was 29.54 cents, for the year 1938, was 31.15 cents, for the year 1939 was 32.79 cents, and for the year 1940 was 32.44 cents, and further states that said contract as amended sets forth in detail the rate for gas to said latter Company and prays leave to refer to the same for an accurate statement thereof.

Sixth: In answer to the paragraph of the complaint numbered Sixth: defendant denies the allegations of paragraph Sixth of the complaint, in so far as it is alleged therein that the division to Michigan Gas Transmission Corporation of the rates and charges maintained by Panhandle Eastern Pipe Line Company are unjust and unreasonable, or that any charges of Michigan Gas Transmission Corporation in connection with the sale or delivery of gas to Michigan Consolidated Gas Company are excessive, unjust or unreasonable and denies any knowledge or information sufficient to form a belief as to the remaining allegations of said paragraph Sixth.

Seventh: In answer to the paragraph of the complaint numbered Seventh: defendant denies the allegations of the first sentence of paragraph Seventh. It denies any [fol. 16696] knowledge or information thereof sufficient to form a belief as to the allegations of the second sentence of said paragraph Seventh.

Wherefore, defendant prays that the petition of the complainants be denied and the above-entitled proceeding be dismissed.

MICHIGAN GAS TRANSMISSION CORPORATION,
By Walter C. Beckjord, President,
Office and Post Office Address:
Suite 2901, No. 61 Broadway,
New York, N. Y.

[fol. 16697] State of New York,
County of New York,—ss.:

Walter C. Beckjord, being duly sworn, deposes and says:

That he is the President of Michigan Gas Transmission Corporation, one of the defendants in the above-entitled proceeding; that he has read the foregoing complaint and knows the contents thereof and that the same is true to his own knowledge except as to the matters therein stated to be alleged upon information and belief and that as to those matters he believes it to be true.

WALTER C. BECKJORD.

Sworn to before me this 27th day of March, 1941.

(Notary Public) MAUDE H. CURRY,
Notary Public, New York County,
N. Y. Co. Clk's. No. 390, Reg. No. 2C-543,
Nassau County Clerk's No. 35-C-40,
Commission expires March 30, 1942.

[fol. 16698] (Petition of Michigan Public Service Commission for Leave to Intervene.)

(Filed March 31, 1941, Federal Power Commission.)

Before the

Federal Power Commission

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Michigan Public Service Commission, Intervener.

To the Honorable Members of the Federal Power Commission:

Comes now the Michigan Public Service Commission, by and through its attorneys Herbert J. Rushton, Attorney General of the State of Michigan and James W. Williams, [Assistance] Attorney General for the State of Michigan, and, in accordance with part (a) section 15 of the "Natural Gas Act" and upon the grounds that its participation in the proceedings may be in the public interest, moves the Federal Power Commission that it be granted permission [fol. 16699] to intervene in the proceedings now pending upon the petition for an investigation of the rates and charges of the Panhandle Eastern Pipe Line Company made by the Michigan Municipalities: the City of Detroit and the County of Wayne; and for the following reasons:

1.

It is an administrative commission of the State of Michigan, created by Act 3 of the public acts of 1939 of the State of Michigan, and made successor to the Michigan Public Utilities Commission, vested with the power and authority to regulate public utilities doing business within the State of Michigan.

2.

The Michigan Consolidated Gas Company is a corporation doing business within the State of Michigan as a public utility, in that; the Michigan Consolidated Gas Company distributes natural gas to the consuming public; accessible to its plant, in the cities of Detroit, Grand Rapids, Muskegon and Ann Arbor and certain adjacent municipalities.

3.

The natural gas distributed to the consuming public within the cities of Detroit, Ann Arbor and certain adjacent municipalities, is purchased by the Michigan Consolidated Gas Company from the Panhandle Eastern Pipeline Company and the terms of the purchase and sales contract between these companies relating to the natural gas distributed within the municipalities of the City of De- [fol. 16700] troit and the County of Wayne are material and relevant to the investigation pending before your Honorable Commission.

4.

The fixing of reasonable rates and charges to customers of the Michigan Consolidated Gas Company is within the power and authority of your petitioner and any modification of the cost of natural gas to the Michigan Consolidated Gas Company may affect the reasonableness of that Company's rates and charges to consumers.

5.

Further, there is presently pending before this Commission a petitioner by National Utilities Company of Michigan, a corporation doing business within the State of Michigan as a public utility, for permission to serve the City of Monroe and certain adjacent municipalities with natural gas, which petition has a contract with the Panhandle Eastern Pipe Line Company whereby said Pipe Line Company undertakes to supply natural gas to it, which gas will be transported over the same pipe line now used to supply the municipalities of Detroit and Wayne County. The contract differs from the Detroit purchase contract in that it provides for a price for the natural gas of three cents per therm for "year round" gas and four cents per therm for seasonal gas during winter months and has no general clause of the type and kind found in the "Detroit" contract.

6.

All allegations herein contained other than those relating to the municipalities of the City of Detroit and the County of Wayne are not intended to broaden or narrow the scope [fol. 16701] of the issues presented in the instant proceedings and are made solely for the purpose of more fully disclosing your petitioner's interest. Further, your petitioner is of the opinion that public interest will best be served through your permission for it to intervene as a party with interest and without compelling it to elect to intervene in behalf of any other party to the proceedings.

7.

Your petitioner offers to make available to your Honorable Commission such services, records, and facilities as it may afford in furtherance of the instant proceedings.

Wherefore your petitioner prays:

(a) That it may be permitted to intervene and be treated as a party hereto;

(b) That it be given the right to have notice of any and all proceedings;

(c) That it be given the right to appear and be represented by counsel;

(d) That it be given the right to have notice of and appear at the taking of testimony;

(e) That it be given the right to produce and cross-examine witnesses;

(f) That it be given the right to be heard on brief and on argument, if oral argument be heard; and

[fol. 16702] (g) That it be given such other and further rights as may be necessary to the full and complete protection of the public interest.

(h) Your petitioner will ever pray, etc.

MICHIGAN PUBLIC SERVICE COMMISSION,
By James W. Williams,
Assistant Attorney General,
Assigned to the Commission.

Dated: March 27, 1941.

HERBERT J. RUSHTON,
Attorney General,
By James W. Williams,
Asst. Atty. Gen'l.,
Business Address:
Attorney General Department,
State Capitol,
Lansing, Michigan.

State of Michigan,
County of Ingham.—ss.:

On this 28th day of March, A. D., 1941, before me, a Notary Public, appeared James W. Williams, to me known, who, being first duly sworn, did say that he knows the contents of the foregoing petition by him subscribed and that the same are true, except as to those matters therein

stated upon information and belief which he believes to be true.

Seal

H. A. FORSTER,
Notary Public, Kalamazoo County, Acting in Ingham County, Michigan.

My Commission Expires April 18, 1941.

[fol. 16705] Separate Answer of Panhandle Eastern Pipe Line Company.

(Filed April 3, 1941, Federal Power Commission.)

Before the

Federal Power Commission

City of Detroit and County of Wayne, Muncipal Corporations, Complainants,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

To The Honorable Members of The Federal Power Commission:

Defendant, Panhandle Eastern Pipe Line Company, for its separate answer to the petition of complainants, respectfully shows to the Commission:

1. That in answer to paragraphs numbered first, second, and third of the petition, this defendant admits that the complainants are municipal corporations existing under and by virtue of the laws of the State of Michigan, and are municipalities within the meaning of the Natural Gas Act; that this defendant is a corporation organized and existing under the laws of the State of Delaware and is engaged in the transmission and sale of natural gas in interstate commerce; that it sells natural gas to Michigan Consolidated Gas Company for resale in the City of De-[fol. 16706] troit and environs in the County of Wayne, State of Michigan; and that it transports said natural gas from its sources of supply in Texas and Kansas to a point in Indiana near the Illinois-Indiana state line, at which point its transmission facilities connect with the trans-

mission facilities of Michigan Gas Transmission Corporation and from which point said company transports and delivers said natural gas to Michigan Consolidated Gas Company at the point of delivery near the City of Detroit for the account of this defendant, such transportation and delivery by Michigan Gas Transmission Corporation being performed by it under a contract, as amended, with this defendant dated March 17, 1936.

This defendant denies that it is affiliated with Michigan Gas Transmission Corporation or that it is controlled by Columbia Gas & Electric Corporation.

2. In answer to paragraph numbered fourth of the petition, except the last sentence thereof which is answered in paragraph numbered five hereof, this defendant admits that its rates and charges to Michigan Consolidated Gas Company for gas sold by this defendant to said company for resale in Detroit and environs are governed by contract dated August 31, 1935, as amended by four certain supplemental agreements, between this defendant and Michigan Consolidated Gas Company, formerly Detroit City Gas Company, but denies that said contract provides a demand charge of fifty-eight (58) cents per therm per month. This defendant alleges the fact to be that said con- [fol. 16707] tract provides for a demand charge of thirty-eight (38) cents per therm, per month, based upon the maximum daily demand established during the four months' period December to March, inclusive, of each year, and for a commodity charge of one and five tenths (1.5) cents per therm.

Deny

3. With respect to paragraph numbered fifth of the petition, this defendant denies the allegations thereof and states that further answer thereto is made in paragraph numbered five hereof.

4. Answering paragraphs numbered sixth and seventh of the petition, except the allegations in paragraph seventh thereof with respect to the rates of this defendant for gas used for househeating purposes by customers of Michigan Consolidated Gas Company, which allegations are fully answered in paragraph five hereof, this defendant denies that its rates and charges and the cost of gas to Michigan

Consolidated Gas Company are unjust, unreasonable or excessive, or that the same adversely affect the customers of Michigan Consolidated Gas Compnay in any classification. This defendant denies that the amount received by it for gas sold under the aforesaid contract of August 31, 1935, as amended, after deducting therefrom the amount paid to Michigan Gas Transmission Corporation for transporting said gas from the Illinois-Indiana state line to the Detroit point of delivery is excessive.

With respect to the allegations to the effect that the division of this defendant's rates and charges to Michigan Gas Transmission Corporation is unjust and unreasonable, [fol. 16708] this defendant states that it believes that at the time its contract with Michigan Gas Transmission Corporation, dated March 17, 1936, was entered into, the charges of that company for transporting gas were equitable and reasonable, and that at this time this defendant has insufficient knowledge and information to form a belief as to the present reasonableness of said charges.

5. Further answering paragraphs numbered fourth, fifth and seventh of the petition, this defendant in denying the allegations thereof, states that its contract with Michigan Consolidated Gas Company dated August 31, 1935, as amended, sets forth in detail the rates and charges for natural gas delivered thereunder and respectfully refers this Commission to said contract for an accurate statement thereof; that the average prices per therm paid for such gas during the calendar years 1937, 1938, 1939, and 1940 were 2.92 cents, 3.08 cents, 3.24 cents, and 3.20 cents, respectively; that under this defendant's aforesaid contract, as amended, with Michigan Consolidated Gas Company, the rate for gas resold to househeating customers in excess of twenty five thousand might, under certain extreme conditions, be sixty two (62) cents per thousand cubic feet; that by supplemental gas contract with Michigan Consolidated Gas Company, dated June 2, 1936, this defendant in effect guaranteed that the rate for a quantity of natural gas equal to the requirements of twenty thousand househeating customers would not be greater than four and one tenth (4.1) cents per therm, and by a third supplemental contract with said company dated September 29,

[fol. 16709] 1939, this defendant in effect extended said guarantee to include an amount of natural gas equal to the requirements of twenty five thousand househeating customers; that the actual rate for gas resold to househeating customers in excess of twenty five thousand is dependent on the rate of growth of such business of Michigan Consolidated Gas Company from year to year and upon the relation of the demand on the maximum day to such deliveries of said company during the year; that this defendant has calculated the average rate paid by Michigan Consolidated Gas Company for househeating gas delivered to customers in excess of twenty five thousand during the calendar year 1940 to have been less than three (3) cents per therm and has estimated that during the calendar year 1941 said rate will be less than three and five tenths (3.5) cents per therm instead of a rate even approaching sixty two (62) cents per thousand cubic feet as estimated and alleged by complainants; that during all calendar years to date under said contract the rate for all househeating gas has been less than four and one tenth (4.1) cents per therm; that by letter to Michigan Consolidated Gas Company dated July 18, 1940, this defendant offered to substitute for the rate provided in the aforesaid contract a different form of rate which would result in a charge of not more than four (4) cents per therm for natural gas sold to Michigan Consolidated Gas Company for resale to househeating customers regardless of the number thereof; that said offer was not accepted by Michigan Consolidated Gas Company because, as this defendant believes, of the then existing characteristics of its business and particularly [fol. 16710] the continuing growth thereof; that on information and belief, this defendant states that the Michigan Public Service Commission did on November 20, 1940 order an increase in househeating rates of Michigan Consolidated Gas Company in the Detroit area effective January 4, 1941, that at the time of the issuance of said order said Commission was not aware of this defendant's offer of a new form of rate by said letter dated July 18, 1940, that after being informed of said offer, the Michigan Public Service Commission postponed the effective date of said increased rates to May 1, 1941 and ordered a rehearing in the matter of the househeating rates of Michigan Consolidated Gas Company.

6. Further answering the petition, this defendant shows the Commission:

That about eighteen months ago it commenced studies of its rate structure with the view of eliminating the demand feature of its rates; that about twelve months ago it developed rates for its customers which eliminated the changing demand feature of its then existing rates and said rates have been generally accepted by such customers, but, as hereinabove stated, was rejected by Michigan Consolidated Gas Company.

This defendant has continued its studies and believes it can develop a new rate which will be accepted by Michigan Consolidated Gas Company; that if such a rate is developed and accepted for the Detroit area, it will necessitate a modification of this defendant's rates to certain other of its customers; that it hesitates to propose such a modifi-[fol. 16711] cation of said rates pending the outcome of the April 7, 1941 election to be held in the City of Detroit, and the final determination thereafter of the question of municipal ownership of the gas plant in Detroit and environs; that upon final determination of the question of municipal ownership this defendant believes it will be in a position to offer such a new rate either to Michigan Consolidated Gas Company or to the City of Detroit as the case may be and that negotiations with such owner will develop a rate which will satisfy the complaint filed in this cause.

This defendant desires to acquire the properties of Michigan Gas Transmission Corporation and states on information and belief that the Department of Justice and the Securities and Exchange Commission have indicated that Columbia Gas & Electric Corporation should dispose thereof; that this defendant believes that such acquisition may occur in the near future and in that event no question of divided revenues or separate plant accounts will be involved herein.

This defendant has continuously found it necessary to expend large sums of money for additional facilities in order to increase the capacity of its system sufficiently to keep pace with the requirements of new and expanding markets; that such expansion, in addition to normal

growth, has been so rapid that it is impossible to accurately appraise the results of any rate modifications which it might make effective: that taxes have increased and the estimated Federal Income and Excess Profits Tax liability of this defendant in 1940 will be one hundred forty five [fol. 16712] per cent greater than was its Federal Income Tax liability in the year 1939; that as a more stabilized condition of this defendant's markets, operating costs, and tax liability is approached, an appraisal of its rate structure becomes simpler and more susceptible of accurate analysis.

This defendant believes, and therefore states, that should it later appear that an investigation as prayed for by complainants is necessary or advisable, the same will be greatly facilitated and simplified by the occurrence of any of the matters set forth in this paragraph numbered six and should this Commission postpone such an investigation, this defendant represents that it stands ready to keep the Commission informed as to the progress of its rate studies and negotiations and the developments occurring with respect to all of the matters and things in this paragraph numbered six referred to.

Wherefore, this defendant prays that the petition of complainants be denied, or in the alternative that the investigation prayed for therein be postponed pending further developments with respect to the matters and things set forth in paragraph numbered six hereof, or in the event of undue delay of such developments, for such time as this Commission shall determine is reasonable in view of all [fol. 16713] circumstances.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,
By G. J. Neuner,
Vice-President,

1221 Baltimore Avenue,
Kansas City, Missouri.

GLENN W. CLARK,
Attorney.

1221 Baltimore Avenue,
Kansas City, Missouri.

State of Missouri,
County of Jackson,—ss.:

G. J. Neuner, being first duly sworn, deposes and says that he is Vice-President of Panhandle Eastern Pipe Line Company, one of the defendants herein; that he has read the foregoing Separate Answer of Panhandle Eastern Pipe Line Company and knows the contents thereof and that the same is true of his own knowledge, except as to the matters therein stated to be alleged, upon information or belief and as to those matters he believes it to be true.

G. J. NEUNER,

Subscribed and sworn to before me this 1st day of April, 1941.

MARY C. MAGERS,
(L. S.) Notary Public.

My Commission expires August 31, 1943.

[fol. 16714] Affidavit of Service

State of Missouri,
County of Jackson,—ss.:

Glenn W. Clark, being first duly sworn, deposes and says that he is Counsel for Panhandle Eastern Pipe Line Company; that on this 1st day of April, 1941 he has served a copy of the foregoing Separate Answer of Defendant, Panhandle Eastern Pipe Line Company, upon Paul E. Krause and James H Lee, Corporation Counsel and Assistant Corporation Counsel, respectively, for the City of Detroit, upon William E. Dowling and Harold Goodman, Prosecuting Attorney and Special Counsel, respectively, for the County of Wayne, Michigan, and upon Michigan Gas Transmission Corporation by depositing the same in the United States air mail, properly addressed to said parties with postage prepaid.

GLENN W. CLARK.

Subscribed and sworn to before me this 1st day of April, 1941.

MARY C. MAGERS,
(L. S.) Notary Public.

My Commission expires August 31, 1943.

[fol. 16715] Order Fixing Date of Hearing

United States of America

Federal Power Commission.

Commissioners: Claude L. Draper, Acting Chairman, Basil Manly, John W. Scott and Clyde L. Seavey. Leland Olds not participating.

June 10, 1941.

City of Detroit, Michigan and County of Wayne, Michigan, Docket No. G-200 vs.
Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

It appearing to the Commission that:

(a) On February 28, 1941, the City of Detroit and the County of Wayne, Michigan, both of which are municipalities within the meaning of the Natural Gas Act, filed a petition which, among other things, alleges in substance: that the Panhandle Eastern Pipe Line Company is engaged in the transportation of natural gas in interstate commerce from producing fields in the States of Texas and Kansas to a point of delivery near the City of Detroit; that it is also engaged in the sale of such gas to the Michigan Consolidated Gas Company for resale in said City of Detroit and County of Wayne; that such gas is transported from a point on the Indiana-Illinois boundary line to a point at or near the City of Detroit by the Michigan Gas Transmission Corporation for the account of the Panhandle Eastern Pipe Line Company, for which transportation Panhandle Eastern Pipe Line Company pays its affiliate, Michigan Gas Transmission Corporation, an excessive rate or charge; that the rates and charges demanded and collected by Panhandle Eastern Pipe Line Company from the Michigan Consolidated Gas Company are unjust, unreason-[fol. 16716] able, and unduly discriminatory; and said City of Detroit and County of Wayne request this Commission, after investigation, to fix and determine the just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale of natural gas for resale in said City and County;

(b) Michigan Gas Transmission Corporation filed an answer to said petition on March 28, 1941, denying, among other things, that it is affiliated with Panhandle Eastern Pipe Line Company, or "that the division to Michigan Gas Transmission Corporation of the rates and charges maintained by Panhandle Eastern Pipe Line Company are unjust and unreasonable, or that any charges of Michigan Gas Transmission Corporation in connection with the sale or delivery of gas to Michigan Consolidated Gas Company are excessive, unjust or unreasonable";

(c) Panhandle Eastern Pipe Line Company filed an answer to said petition, on April 3, 1941, denying, among other things, that it is affiliated with the Michigan Gas Transmission Corporation, or that it is controlled by the Columbia Gas & Electric Corporation, or that its rates are unjust, unreasonable, or discriminatory;

(d) The Panhandle Eastern Pipe Line Company is engaged in the transportation of natural gas in interstate commerce through a transmission pipe line extending from the State of Texas to a point on the border line between the States of Illinois and Indiana, and the sale in interstate commerce of natural gas for resale, and may be a natural-gas company within the meaning of the Natural Gas Act;

(e) The Michigan Gas Transmission Corporation is engaged in the transportation of natural gas in interstate commerce through a transmission pipe line extending from a point on the border line between the States of Illinois and Indiana to a point at or near the City of Detroit, Michigan, and the sale in interstate commerce of natural gas for resale, and may be a natural-gas company within the meaning of the Natural Gas Act;

(f) Natural gas sold by the Panhandle Eastern Pipe Line Company to the Michigan Consolidated Gas Company for resale in the City of Detroit is transported by Michigan Gas Transmission Corporation through its interstate transmission pipe line for the account of Panhandle Eastern Pipe Line Company.

(g) By letter of June 4, 1941, the said City of Detroit and County of Wayne have advised the Commission "that at a date approximately 30 days from date hereof, your

[fol. 16717] petitioners will be prepared to present evidence to substantiate the allegations contained in our petition";

The Commission orders that:

A public hearing in this proceeding be held commencing on July 15, 1941, at 9:45 o'clock, a. m. (E.S.T.), at 1800 Pennsylvania Avenue, N. W., in the City of Washington, D. C.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16718] (Order permitting Michigan Public Service Commission to Intervene.)

United States of America

Federal Power Commission

Commissioners: Claude L. Draper, Acting Chairman, Basil Manly, John W. Scott and Clyde L. Seavey. Leland Olds not participating.

June 10, 1941.

City of Detroit, Michigan and County of Wayne, Michigan,
Docket No. G-200 vs.
Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

It appearing to the Commission that:

(a) On March 31, 1941, the Michigan Public Service Commission filed a petition praying for leave to intervene in this proceeding;

(b) The participation of the Michigan Public Service Commission in this proceeding may be in the public interest;

The Commission orders that:

The Michigan Public Service Commission be and it is hereby permitted to become an intervenor in this proceeding, provided, however, such permission shall not be

construed as recognition by this Commission that said Michigan Public Service Commission might be aggrieved by any order of this Commission issued in this proceeding.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16720] (Petition of Panhandle Eastern Pipe Line Company for Continuance of hearing.)

(Received June 26, 1941, Federal Power Commission.)

Before the

Federal Power Commission.

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

Docket No. G-200 vs.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Panhandle Eastern Pipe Line Company, one of the defendants in the above entitled cause, hereby petitions the Commission for a six months' continuance of the hearing now set for July 15, 1941 and as grounds therefor states:

1. The public interest does not require an early hearing in this cause.

The petition filed by the City of Detroit and the County of Wayne on or about February 28, 1941, although containing general allegations and a broad prayer for relief, manifestly was primarily aimed at and instituted because of a supposed discriminatory rate affecting gas ultimately to be used by househeating customers in excess of twenty-five thousand in number in the City of Detroit, Michigan. It is apparent that the general allegations as to the unreasonableness of this defendant's rates and the division [fol 16721] of revenues between this defendant and the defendant, Michigan Gas Transmission Corporation, bring into question the value of defendants' properties, the expected life of the enterprise as a whole, the lawful and

proper rate of depreciation, the reasonableness of operating expenses, and many other factors which complainants are not equipped to develop and, even if so equipped, would be unable to develop because of the lack of any right to make adequate investigation. Probably for this reason this Commission instituted an investigation (Docket No. G-207) and undoubtedly intends, by virtue of the powers vested in it by Congress and by the use of a staff equipped to obtain necessary information and to develop the pertinent facts, to inquire through its customary proceedings as to the matters involved under the general allegations of complainants' petition filed at Docket G-200. Therefore, as to those matters, the public interest does not require that complainants be heard on July 15, 1941.

As to the apparent gravamen of complainants' petition, that is, the allegation of discrimination as to gas sold by this defendant to Michigan Consolidated Gas Company for resale to househeating customers in excess of twenty-five thousand, the public interest does not require an early hearing because the alleged discrimination does not in fact exist, but is merely a claim born either of a lack of correct information and data or of a complete misunderstanding [fol. 16722] of correct information and data and the applicable contracts. Although at first blush this might be considered by the Commission as a statement of an ultimate fact to be determined by hearing, and although such a position might technically be correct, it nevertheless is true that the staff of this Commission can ascertain beyond any question of a reasonable doubt from contracts, reports and other data which has been furnished to this Commission by this Defendant, and without any reasonable necessity for an early hearing, that the average rate paid by Michigan Consolidated Gas Company for househeating gas delivered to customers in excess of twenty-five thousand during the calendar year 1940 was substantially less than three (3) cents per therm.

The billing demand which will govern until April, 1942 has been established and by the application of reasonable estimates based upon information and data derived from known experience, this Commission's staff can readily determine from such data as this defendant has furnished the

Commission that the average rate paid and to be paid by Michigan Consolidated Gas Company for househeating gas delivered and to be delivered to customers in excess of twenty five thousand during the calendar year 1941 will not exceed three and five-tenths (3.5) cents per therm, and that there is not, and could not be, under present conditions, any foundation for a claim that such gas will cost Michigan Consolidated Gas Company more than gas for other househeating customers and much less for complainants' extravagant claim that such gas may cost [fol. 16723] Michigan Consolidated Gas Company sixty-two (62) cents per thousand cubic feet.

2. The public interest does require that this defendant's petition for continuance be granted.

For several months it has been apparent to this defendant that requirements of its customers during the winter of 1941 and 1942 will be such as to gravely tax and probably render inadequate the capacity of its facilities without frequent interruption or curtailment of gas supplied to many industries contributing to National Defense unless facilities for a substantial increase in capacity can be installed prior to the severe winter months. The Defense Program has created an acute shortage in steel for private industry and it is practically impossible to obtain steel plate for the manufacture of pipe without the assistance of the United States Government by way of priorities granted because of the need for steel in activities directly related to National Defense.

Therefore, several weeks ago this defendant, in order to substantiate its claim for priority, set out to obtain estimates of the requirements of its customers for the winter of 1941-42, together with data as to the defense materials being manufactured by industries using its gas. The data thus acquired shows that almost all industries now using gas from this defendant's pipe lines are engaged in defense work, that fully fifty per cent of their entire output is directly related to the defense program and that practically all of the increase in their gas requirements for the winter of 1941-42, in the estimated quantity of more than [fol. 16724] fifteen million (15,000,000) cubic feet per day

over and above their requirements for the last winter, will be used in defense work.

In addition to present consumers, this defendant expects to serve the requirements of additional domestic, commercial and industrial consumers in and near many cities, towns and communities in the State of Michigan, including Flint, Pontiac, Kalamazoo, Jackson, and Battle Creek, none of which are presently being served with natural gas. Included among these consumers are many industries which are vital to the Defense Program, now using gas but faced with an inadequate supply. This defendant is now engaged in obtaining necessary certificates and licenses for the construction of pipe lines in the State of Michigan and will apply to this Commission for a certificate of convenience and necessity if required under the provisions of the Natural Gas Act as construed under the decisions of this Commission.

The industries, now using gas from this defendant's pipe lines and manufacturing defense materials, number eighty-nine in the City of Detroit, Michigan, seventy-four in the State of Indiana; thirty-six in the State of Illinois, and ten in the State of Missouri. More than fifty additional industries engaged in defense work elsewhere in the State of Michigan are expected to be supplied with gas to be transported by this defendant upon completion of its pipe lines in the State of Michigan.

Seeking a preference rating sufficiently high to insure [fol. 16725] deliveries of steel pipe to meet its schedule for the construction of facilities for additional capacity and its proposed pipe lines in the State of Michigan, this defendant filed its formal application, supported by extensive data, including the above, with the Priorities Division of the Office of Production Management. Complete analysis of said data has been made by the Priorities Division and hearings have been held before it with the result that on June 17, 1941 it issued its Certificate No. C-102393 granting a Preference Rating, sufficiently high to meet this defendant's construction schedule, on steel for all pipe required by this defendant for the aforesaid construction program.

This defendant's construction program involves the obtaining of more than fifty five thousand (55,000) tons of steel pipe, together with large quantities of gate valves,

couplings, and pipe coating; and the construction of over four hundred (400) miles of pipe line for which rights of way and river, railroad and highway crossing permits must be obtained before the construction work can be done.

This defendant's personnel, while sufficient for ordinary operations, is not large enough to carry out the aforementioned complex program without every man bending unusual efforts to that end. Sufficient additional men of adequate training and experience are unavailable, and therefore present employees must devote their time to this program in addition to their regular work. To this end many of this defendant's employees have been required to [fol. 16726] defer vacations. Under the best conditions obtainable in view of these circumstances, this defendant will be unable to complete its construction program before the first of the coming year. The full time and efforts of the men who would be required to prepare for and attend the hearing now set for July 15, 1941 are all important to the aforementioned program which is vital not only to the National Defense Program but also to many thousands of residential users of gas. To divert the efforts of these men, even for a short time, would seriously impede the work now being carried on.

For the foregoing reasons this defendant believes that the public interest requires that the hearing be postponed.

Wherefore, this defendant prays that this Commission enter an order continuing the hearing now set for July 15, 1941 for a period of approximately six months, at which time much of the work connected with its present construction program will have been completed.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,

By G. J. Neuner,
Vice-President,
1221 Baltimore Avenue,
Kansas City, Missouri.

Glenn W. Clark,
Attorney,
1221 Baltimore Avenue,
Kansas City, Missouri.

[fol. 16728] (Concurring Petition of Michigan Gas Transmission Corporation for Continuance of Hearing.)

(Received July 3, 1941, Federal Power Commission.)

Before the

Federal Power Commission.

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

Docket No. G-200 vs.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Michigan Gas Transmission Corporation, one of the defendants in the above entitled cause, hereby joins in the petition of Panhandle Eastern Pipe Line Company for a six months' continuance of the hearing now set for July 15, 1941, and as additional grounds therefor states:

1. The granting of a continuance would tend to simplify the hearings.

It is probable that a substantial saving of time and effort, both to the Commission and to the various parties to the proceeding as well, could be realized by a continuance of six months. It has for some time been contemplated that Panhandle Eastern Pipe Line Company would, pursuant to a certain Plan, acquire the stock and indebtedness of Michigan Gas Transmission Corporation. On June 7, 1941 an agreement was entered into providing for the carrying out of this Plan, with certain modifications. Under said agreement it is contemplated that Panhandle Eastern Pipe [fol. 16729] Line Company will acquire said stock and indebtedness of Michigan Gas Transmission Corporation by October 1, 1941, and said agreement provides that it shall terminate unless all the transactions provided for are effected by that date, but that such date shall be extended to December 1, 1941 upon the request of any one of the parties. In connection with carrying out the various provisions of said agreement, applications must be made to the United States District Court for the District of Delaware and the Securities and Exchange Commission, and said applications are now in course of preparation.

It is obvious that after the acquisition by Panhandle Eastern Pipe Line Company of the stock and indebtedness of Michigan Gas Transmission Corporation the problem of determining questions involving rates will be considerably simplified, particularly if the physical properties of Michigan Gas Transmission Corporation and Panhandle Eastern Pipe Line Company are put into the same corporation by merger or otherwise, a move which Michigan Gas Transmission Corporation is informed is under consideration after said acquisition by Panhandle Eastern Pipe Line Company.

2. The grounds urged by Panhandle Eastern Pipe Line Company in its petition for continuance are largely applicable to Michigan Gas Transmission Corporation as well.

Not only is Michigan Gas Transmission Corporation hampered in its individual operations at this time by reason of various circumstances and conditions arising out of the present emergency, but it is necessarily affected by emergency conditions applicable to Panhandle Eastern [fol. 16730] Pipe Line Company by reason of the fact that all gas received and transported by Michigan Gas Transmission Corporation comes from the lines of Panhandle Eastern Pipe Line Company.

3. The Defendant Primarily Involved is Panhandle Eastern Pipe Line Company.

The gravamen of this case appears to be the charge of discrimination against Panhandle Eastern Pipe Line Company, and that company is the defendant principally and primarily involved. Michigan Gas Transmission Corporation has no contractual relationships with the City of Detroit or the County of Wayne, the complainants herein, but the contractual relationships in question are between said complainants and Panhandle Eastern Pipe Line Company. It may be, therefore, that evidence as to Michigan Gas Transmission Corporation will prove not to be pertinent in this proceeding. In any event it could hardly be pertinent until after an investigation into the rates and charges of Panhandle Eastern Pipe Line Company demonstrated its relevance and pertinency as bearing upon such rates and charges.

Wherefore the defendant Michigan Gas Transmission Corporation prays that the hearing now set for July 15, 1941 be deferred for a period of six months as requested by Panhandle Eastern Pipe Line Company.

Respectfully submitted,

MICHIGAN GAS TRANSMISSION CORPORATION,

By Walter C. Beckjord,

President.

Office and Post Office Address:
Suite 2901, 64 Broadway,
New York, N. Y.

[fol. 16731] State of New York,
County of New York—ss:

Walter C. Beckjord, being duly sworn, deposes and says:

That he is the President of Michigan Gas Transmission Corporation, one of the defendants in the above-entitled proceeding; that he has read the foregoing concurring petition for continuance and knows the contents thereof and that the same is true to his own knowledge except as to the matters therein stated to be alleged upon information and belief and that as to those matters he believes it to be true.

WALTER C. BECKJORD.

Sworn to before me this 1st day of July, 1941.

(Notarial Seal)

JOHN E. CLEARY,
Notary Public, Bronx County, N. Y.
Bronx Co. Clk's No. 47, Reg. No. 57C42
N. Y. Co. Clk's No. 218, Reg. No. 2C182
Commission expires March 30, 1942.

[fol. 16733] (Objection of City of Detroit and County of Wayne to Defendants' Petition for Continuance.)

(Received July 3, 1941. Federal Power Commission.)

The City of Detroit and the County of Wayne, complainants herein, file this objection to the petition for continu-

ance of Panhandle Eastern Pipe Line Company and say as follows:

There exists an emergency in connection with the rates of Michigan Consolidated Gas Company affecting the inhabitants in the complainant municipalities for the reason that the Michigan Public Service Commission has a hearing scheduled on July 21, 1941, continued to said date from prior dates, wherein will be considered the question of whether the entire house-heating rates for customers in the complainant municipalities should be increased.

The allegations in respect to a cost of 3.5 cents per therm appearing on page 3 of respondent's petition for continuance are on their face confused and deceptive in purport, for it is there alleged and concluded that "during the cal-[fol. 16734] endar year of 1941 such cost will not exceed three and five-tenths (3.5) cents per therm." But the average cost of gas during the calendar year 1941 is affected by the peak dates of December, 1939, and January, February, March, 1940, when the number of customers did not exceed 25,000 and the only reflection of the peak occurring in December, 1940, or in January, February, March, 1941, in the calendar year, will be for such use as is made of house-heating gas in the fall and early winter season of the 1941-1942 heating season. From the evidence before complainants, it appears that the house-heating demand has a load factor of 25% and in view thereof, that particular demand so enlarges the demand charge as to create an additional burden equal to about six (6) cents per therm in respect to the gas consumed by house-heating customers in excess of 25,000.

The emergency confronting complainants municipalities still exists, for the Michigan Public Service Commission appears to be about to increase the rates for all house-[fol. 16735] heating customers unless such action shall be rendered unnecessary by the prompt and appropriate action of this Commission.

Respectfully submitted,

CITY OF DETROIT,
By Paul E. Kraus,
Corporation Council.

JAMES H. LEE,
Assistant Corporation Council.
COUNTY OF WAYNE,
WILLIAM E. DOWLING,
Prosecuting Attorney.
HAROLD GOODMAN,
Special Assistant Prosecuting Attorney.

District of Columbia—ss.

Harold Goodman, being duly sworn, deposes and says that the foregoing statements by him subscribed are true according to his best knowledge and belief.

[fol. 16736] Designation of Trial Examiner.

By virtue of the order of the Commission adopted November 3, 1939, authorizing Commissioners and others to preside at hearings, and the Commission, by order adopted June 10, 1941, having directed that a hearing be held in the above matter, to convene at 9:45 o'clock a. m. on July 15, 1941, Samuel H. Crosby is designated as trial examiner to preside at said hearing.

Done, this 8th day of July 1941, by authority of the Commission.

LELAND OLDS,
Chairman.

[fol. 16737] (Order Denying Petitions for Continuance of Date of Hearing.)

United States of America

Federal Power Commission

Commissioners, Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

July 8, 1941.

City of Detroit, Michigan,
and
County of Wayne, Michigan,
Docket No. G-200. vs.
Panhandle Eastern Pipe Line Company,
and
Michigan Gas Transmission Corporation.

Upon petition of the Panhandle Eastern Pipe Line Company filed June 26, 1941, and petition of the Michigan Gas Transmission Corporation filed July 3, 1941, for a continuance of the hearing in this proceeding now fixed for July 15, 1941;

It appearing to the Commission that:

No good cause for the granting of said petitions has been shown;

The Commission orders that:

The petitions of the Panhandle Eastern Pipe Line Company and the Michigan Gas Transmission Corporation filed on June 26, 1941, and July 3, 1941, respectively, be and the same are hereby denied.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16739] (Petition of Michigan Consolidated Gas Company for Leave to Intervene.)

(Received July 10, 1941, Federal Power Commission.)

Before the Federal Power Commission.

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Michigan Consolidated Gas Company, Intervener.

To the Honorable Members of the Federal Power Commission:

Comes now the Michigan Consolidated Gas Company by and through its attorney, Park Chamberlain, and, upon the ground that its participation in the proceedings may be in the public interest, moves the Federal Power Commission that it be granted permission to intervene in the proceedings now pending upon the petition for an investigation of the rates and charges of the Panhandle Eastern Pipe

[fol. 16740] Line Company and Michigan Gas Transmission Corporation, made by the City of Detroit and the County of Wayne, municipal corporations of the State of Michigan, and in the proceeding instituted by the Federal Power Commission upon its own motion to investigate Panhandle Eastern Pipe Line Company and the Michigan Gas Transmission Corporation to determine the status of such companies under the "Natural Gas Act", whether rates charged by them for natural gas in interstate commerce are excessive, unjust, unreasonable, or discriminatory, and what rates and charges for natural gas for resale in the Detroit area would be just and reasonable, and for the following reasons:

1.

It is a public utility incorporated under the laws of the State of Michigan, engaged in the distribution of natural gas in the metropolitan area of Detroit, Michigan, and to a small extent in the production, sale, and distribution of manufactured gas.

2.

Petitioner has, since about July 1st, 1936, purchased its entire supply of natural gas from the defendant, Panhandle Eastern Pipe Line Company, (which delivers the gas through Michigan Gas Transmission Corporation, an affiliate), under the terms of a contract entered into between petitioner and Panhandle Eastern Pipe Line Company August 31st, 1935, and four supplemental contracts, all of which are subject to orders within the jurisdiction of the Federal Power Commission.

[fol. 16741]

3.

The natural gas purchased by petitioner from Panhandle Eastern Pipe Line Company is distributed to approximately 435,000 consumers within the State of Michigan for domestic, commercial, househeating, and industrial purposes, and the cost of natural gas is an operating expense which directly affects the rates which must be charged by petitioner to the public.

4.

The rates and charges of petitioner are established by the Public Service Commission of the State of Michi-

gan, an intervener in these actions, and rates heretofore established by said Public Service Commission have been suspended pending the hearings before this Commission, and it is necessary in the public interest that the house-heating rates which have been suspended be promptly established because of the approaching fall and winter demand.

5.

Inasmuch as natural gas has, up to this time, been purchased under written contracts with Panhandle Eastern Pipe Line Company, petitioner is directly interested in such revisions of rates and in such regulations as may be required and enforced by this Commission with respect to the service and the discriminatory practices of Panhandle Eastern Pipe Line Company.

6.

Petitioner attaches hereto its duly verified petition directed toward and made a part of the investigations of [fol. 16742] Panhandle Eastern Pipe Line Company, its rates and charges as aforesaid, and asks that the same be filed therein and that it be allowed to become a party by way of intervention.

Wherefore your petitioner prays:

(a) That it may be permitted to intervene and be treated as a party hereto;

(b) That it be given the right to have notice of any and all proceedings;

(c) That it be given the right to appear and be represented by counsel;

(d) That it be given the right to have notice of and appear at the taking of testimony;

(e) That it be given the right to produce and cross-examine witnesses;

(f) That it be given the right to be heard on brief and on argument, if oral argument be heard; and

(g) That it be given such other and further rights as may be necessary to the full and complete protection of the public interest.

(h) Your petitioner will ever pray, etc.

MICHIGAN CONSOLIDATED GAS COMPANY,
By Park Chamberlain, Its Attorney.
Business Address: 815-15 St. N. W., Washington, D. C.

By Frank L. Conrad, Vice President,
Business Address: Of Petitioner, 415 Clifford Street, Detroit, Michigan.

Dated: July 9, 1941.

[fol. 16743] State of Illinois,
County of Cook—ss.

On this 9th day of July, A. D. 1941 before me, a Notary Public, appeared Frank L. Conrad, to me known, who, being first duly sworn, did say that he is the Vice President of the Michigan Consolidated Gas Company, the petitioner herein; that he has read the foregoing petition for leave to intervene and that the statements therein contained are true, except as to those matters therein stated upon information and belief which he believes to be true.

ANNETTE HELBIG,
Notary Public in and for Cook County, Illinois.

My commission expires Aug. 25, 1942.

[fol. 16744] (Intervention of Michigan Consolidated Gas Company.)

To the Honorable Members of the Federal Power Commission:

The Michigan Consolidated Gas Company respectfully shows:

1.

Petitioner is a corporation duly organized and existing under and by virtue of the laws of the State of Michi-[fol. 16745] gan, with principal place of business at 415

Clifford Street in the City of Detroit, County of Wayne, and State of Michigan. It is a public utility engaged in the sale and distribution of natural gas, which it purchases from Panhandle Eastern Pipe Line Company, and in the production, sale, and distribution of manufactured gas in small amount. It serves, at the present time, approximately 435,000 residential, househeating, commercial, and industrial consumers located in the City of Detroit and environs, the area served being about 500 square miles in extent, including the cities of Hamtramck, Highland Park, Dearborn, River Rouge, Grosse Pointe, Melvindale, Wyandotte, Lincoln Park and 22 smaller municipalities, with a total population estimated on the basis of Federal Census to be 1,855,000.

2.

The defendant, Panhandle Eastern Pipe Line Company, is a corporation organized and existing under and by virtue of the laws of the State of Delaware, with principal place of business at Kansas City, Missouri, and is engaged in the transportation of natural gas in interstate commerce and in the sale in interstate commerce of natural gas for resale for ultimate public consumption. It is a "natural gas company" as defined by the "Natural Gas Act" and has, since 1936, been furnishing the entire natural gas requirements of petitioner for distribution to its consumers, delivering such gas into the transmission mains of petitioner in Melvindale, Wayne County, Michigan. For convenience it will sometimes hereinafter be referred to as "Panhandle Eastern".

[fol. 16746]

3.

The defendant, Michigan Gas Transmission Corporation, is a corporation organized and existing under and by virtue of the laws of the State of Delaware, engaged in the transportation of natural gas in interstate commerce, and in the sale in interstate commerce of natural gas for resale for ultimate public consumption and is a "natural gas company" as defined by the "Natural Gas Act". It has, throughout the period in which Panhandle Eastern has furnished natural gas to petitioner, transported all of said gas from the terminus of the pipe line of Panhandle Eastern situate at the Illinois-Indiana state

line at or near the town of Dana, Indiana, to the point of delivery to petitioner. For convenience it will sometimes hereinafter be referred to as "Michigan Gas Transmission".

4.

Panhandle Eastern is a subsidiary of Columbia Oil and Gasoline Corporation, which is in turn a subsidiary of Columbia Gas and Electric Corporation, both Delaware corporations. Michigan Gas Transmission is a wholly owned subsidiary of Columbia Gas and Electric Corporation and, therefore, an affiliate of Panhandle Eastern.

5.

On or about August 31, 1935, Panhandle Eastern entered into a written contract with petitioner, then named Detroit City Gas Company, agreeing to supply petitioner's requirements of natural gas up to a maximum daily demand of 90,000,000 cubic feet, or 912,600 therms, under what is known as a two-part rate. The demand or capacity charge is a monthly charge equal in amount to 38c [fol. 16747] multiplied by the number of therms delivered on the maximum day during the preceding months of December, January, February, and March, and the commodity charge is 1.5c per therm. Under this contractual rate, the cost of gas to petitioner at the point of delivery varies in accordance with the load factor on which it is taken, the rate at the following indicated load factors being approximately as follows:

Load Factor	Rate in Cents Per M.c.f.
27%	62.5
50%	40
70%	32.9
85%	29
100%	27.5

(In this and the next succeeding section (6) the computation as to cost per M.c.f. is based on 1,000 B.t.u. gas.)

Under this contract it was made mandatory upon petitioner to ultilize its existing gas-holders, with capacity

of approximately 56,000,000 cubic feet, to assist in leveling peak loads, and petitioner was permitted to use its water gas generating equipment at its option for the purpose of reducing and leveling such peak loads, thereby increasing the load factor, releasing capacity to the pipe line company for other and further public service, and lowering the rate which petitioner is required to pay for natural gas.

6.

Under the contract, petitioner was required to pay 3¢ per therm for all gas taken prior to such time as its customers' appliances were completely adjusted for the use of natural gas. Since March 31st, 1937, shortly thereafter, petitioner has paid the following average rate per M.c.f. for each of the years indicated:

[fol. 16748] For the year ending March 31, 1938. .29.07¢

For the year ending March 31, 1939. . . . . .32.08¢

For the year ending March 31, 1940. . . . . .32.13¢

For the calendar year 1940. .33.00¢

Due to the increased demand for gas for househeating and for defense purposes it is estimated and believed that the average cost of gas for 1941 will be substantially increased.

7.

Detroit, located in a northern area, affords a large market for househeating gas. Due to the seasonal character of this type of service, the load factor is poor and is estimated to be around 27½%. The rates contained in the contract of August 31, 1935, failed to recognize that petitioner could not market househeating gas which cost in the neighborhood of 62½¢ per M.c.f. and not until some months after the contract had been made firm did Panhandle Eastern become convinced that petitioner would not promote househeating sales if it be required to purchase under the contract rate. Desirous of promoting sales for househeating purposes, notwithstanding its low load factor, Panhandle Eastern entered into further

negotiations with petitioner and on or about June 2nd, 1936, voluntarily entered into a contract stipulating that it would pay petitioner a bonus of from $10.00 down to $2.00 per househeating consumer connected to its distribution mains up to 18,000 customers, the aggregate payment to be $118,000. It further agreed that petitioner might place a total of 20,000 househeating customers on its mains and that the charge for the gas consumed for that purpose should not exceed approximately 4¢ per therm (equal to the rate provided for gas taken under the contract on a 50% load factor). Provision was made that [fol. 16749] the cost of househeating gas should be computed under both the original and supplemental contracts and that petitioner would be charged the lowest of the two rates.

On or about September 29, 1939, by a third supplemental contract, Panhandle Eastern voluntarily extended the same househeating rate of not to exceed approximately 4¢ per therm, to 5,000 additional customers and increased the maximum daily demand to 100,000,000 cubic feet, the latter being increased to 125,000,000 cubic feet by a fourth supplemental contract under date of June 29, 1940.

To stimulate sales of househeating gas, petitioner established and announced a rate which is believed fair and reasonably compensatory for that class of service and soon succeeded in placing 25,000 househeating customers on its mains. Additional consumers sought the same type of service and, notwithstanding Panhandle Eastern had made a voluntary rate for 25,000 consumers at approximately 4¢ per therm and paid a bonus or premium for the business, it refused to furnish gas for other consumers at that rate, thus wilfully discriminating against petitioner.

Petitioner, as a public utility, is unable to discriminate as against others in the class of househeating consumers and Panhandle Eastern, although repeatedly requested to make househeating gas available to petitioner at the same rate, in amount sufficient to serve other consumers demanding the same type of service under the same conditions, has refused such gas to petitioner except that petitioner pay for it under the terms of the original con-

tract, or on a basis of about 62¢ per M.c.f. More than 40,000 househeating consumers are now attached to petitioner's distribution mains and it is believed that within a year or two that number will be increased to 60,000. [fol. 16750] No intervening circumstances or costs justify the refusal of Panhandle Eastern to make available to petitioner a rate for househeating gas, available to all applicants for that type of service, no higher than that which it voluntarily put into effect for the first 25,000 gas consumers attached to the mains of petitioner which were procured at the solicitation of and at large expense to Panhandle Eastern and its action constitutes unjust discrimination and undue prejudice within the meaning of the "Natural Gas Act".

8.

Sales of natural gas made by Panhandle Eastern in 1935 were approximately 15,979,390 M. c. f. and were the largest for any year since the pipe line was placed in operation. Its net earnings from operations for 1935 were approximately $1,494,650.91, wholly inadequate to provide any return to stockholders after the payment of interest and fixed charges and, in fact, creating an additional deficit of $326,054.03. Since 1935 the annual sales of Panhandle Eastern in M. c. f., and the amount taken by petitioner, have been as follows:

	Total Sales	Sales to Petitioner	% of Total
1936	26,747,931	3,957,058	14.8
1937	40,806,962	15,969,598	39.1
1938	41,185,762	16,032,297	39
1939	49,233,072	18,391,954	37.35
1940	56,394,762	22,281,273	39.5

As a result of the increased sales made possible by the Detroit contract, the corporate income of Panhandle has increased as indicated in the following statement:

	Net Earnings from Operations	Net Income Available to Stockholders
1934	$1,004,104.52	$ 872,006.76*
1935	1,494,660.91	326,054.03*
1936	2,859,441.49	1,711,185.43
1937	4,859,071.78	3,759,527.81
1938	4,386,985.18	3,059,223.74
1939	5,615,979.84	4,363,399.34
1940	5,727,645.85	4,548,323.98

*Deficit

[fol. 16751] Defendant, Panhandle Eastern, has expended for improvements and extensions to its physical properties approximately $15,500,000 during the years 1936 to 1939, inclusive, and $5,750,000 in 1940, a total of $21,250,000. The book value of its plant as of the close of 1940 is reported as approximately $65,000,000 with accrued depreciation reserves of over $9,000,000, leaving a net value of $56,000,000. The book value as of the beginning of 1936, less depreciation, was therefore between thirty-five and forty million dollars.

The contract with petitioner has resulted in a sale of approximately 40% of the total sales of Panhandle Eastern since its effective date, the sales in that area having increased in the same proportion as the increase along the length of the pipe line. Not only does petitioner take 40% of the total sales of Panhandle Eastern, but the gas purchased is delivered at one point with a minimum of accounting, testing and measurement expense. This is in direct contrast with the remaining sales which are made up of small deliveries along the entire length of a 1,200 mile transmission line.

Since 1935 the sales of Panhandle Eastern have increased 252% and the increased investment in facilities was approximately only 50%. Further the construction of the connecting line necessary to supply Detroit has enabled Panhandle Eastern to enormously increase its sales in Indiana, the increase by 1940 being more than eight billion cubic feet.

Further, the execution of this contract with its advantageous terms and the practical pledge of the great do- [fol. 16752] mestic and industrial market of the metropolitan area of Detroit for the future, instantly and permanently established the economic soundness of the pipe line project and guaranteed its earning capacity over such a period of years that no question could arise as to its ability to fully amortize its facilities during the period of their useful life. It turned failure into success and transformed Panhandle Eastern from a losing venture to an investment of the highest class, enabling it to attract money at unusually low cost and making service possible and cheaper to the communities served along the line, together with many additional ones.

Therefore, in the establishment of rates the Detroit area is entitled to recognition not only for the lessened cost of delivery of so great a quantity, but for the contribution made by it, insuring the stability and permanence of the investment and extending a needed public service to communities otherwise unable to obtain it.

Notwithstanding the fact that the sales to petitioner enabled Panhandle Eastern to greatly increase its income, and notwithstanding its income has been constantly increasing, the cost of gas to petitioner for use in the Detroit area per unit of consumption has continually increased, whereas rates in other areas have been lowered.

Petitioner alleges that the rate charged by Panhandle Eastern for natural gas for resale for public consumption in the Detroit area under this contract is now unreasonable and excessive, and that Panhandle Eastern is earning more [fol. 16753] than a fair return on its property used and useful in the conduct of the business as a result thereof. It further alleges that said rates are unjustly discriminatory as against both the locality served and the class of service rendered, and that by a practical construction of the terms of said contract made and insisted upon by Panhandle Eastern, petitioner and the gas consumers to whom it distributes natural gas are suffering undue discrimination, prejudice, and disadvantage.

Wherefore petitioner prays for an investigation by the Federal Power Commission of the rates, classifications, and practices of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation and of the unjust discrimination, undue prejudice and disadvantages suffered by petitioner and the public by reason of the acts and practices of defendants and the practical interpretations placed by them upon their contracts and rate schedules. Petitioner further prays for a finding that the rates and charges of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation are unjust and unreasonable, and unlawfully preferential and cause undue prejudice and disadvantages to petitioner and the public in the Detroit metropolitan area, and that a schedule of fair and reasonable rates be established for natural gas sold for resale for

public consumption, and for such other relief as may be found just and right in the public interest.

And petitioner will ever pray, etc.

MICHIGAN CONSOLIDATED GAS COMPANY,
By Park Chamberlain,
Its Attorney,
Business Address: 815—15th St., N. W.
Washington, D. C.

By Frank L. Conrad,
Vice President,
Business Address: Of Petitioner,
415 Clifford Street,
Detroit, Michigan.

Dated: July 9, 1941.

[fol. 16754] State of Illinois,
County of Cook—ss.

On this 9th day of July, A. D. 1941 before me, a Notary Public, appeared Frank L. Conrad, to me known, who, being first duly sworn, did say that he is the Vice President of the Michigan Consolidated Gas Company, the petitioner herein; that he has read the foregoing petition and that the statements therein contained are true, except as to those matters therein stated upon information and belief which he believes to be true.

ANNETTE HELBIG,
Notary Public in and for
Cook County, Illinois.

My commission expires Aug. 25, 1942.

[fol. 16755] (Order Permitting Intervention of Michigan Consolidated Gas Company.)

United States of America

Federal Power Commission

Commissioners Claude L. Draper, Acting Chairman, Basil Manly, John W. Scott and Clyde L. Seavey. Leland Olds not participating.

July 12, 1941.

City of Detroit, Michigan, and County of Wayne, Michigan,
Docket No. G-200. vs.
Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

It appearing to the Commission that:

(a) On July 10, 1941, the Michigan Consolidated Gas Company filed a petition with this Commission for leave to intervene in the above-entitled matter;

(b) The participation of the Michigan Consolidated Gas Company in this matter may be in the public interest;

The Commission orders that:

The Michigan Consolidated Gas Company be and it is hereby permitted to become an intervener and a party to this proceeding, subject to the rules and regulations of this Commission; provided, however, that the admission of the Michigan Consolidated Gas Company as an intervener and party to this proceeding shall not be construed as recognition by the Commission that such party might be aggrieved by any order of the Commission issued in this proceeding.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16757] Answer of Michigan Gas Transmission Corporation to Petition of Intervener, Michigan Consolidated Gas Company.

(Received August 12, 1941, Federal Power Commission.)

Before the Federal Power Commission

City of Detroit and County of Wayne, Municipal Corporations, Complainants,
Docket No. G-200. vs.
Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

To The Honorable Members of the Federal Power Commission:

Michigan Gas Transmission Corporation, defendant, in answer to the petition of the intervener, Michigan Con-

solidated Gas Company, respectfully shows to the Commission as follows:

First: In answer to the paragraph of said petition, numbered "1": said defendant denies that it has any knowledge or information sufficient to form a belief as to the allegations thereof, except that said defendant admits that said petitioner is a public utility engaged in the sale and distribution in the City of Detroit and environs of natural gas, which it purchases from Panhandle Eastern Pipe Line Company.

Second: In answer to the paragraph of said petition, numbered "4": said defendant admits that it is a wholly [fol. 16758] owned subsidiary of Columbia Gas & Electric Corporation and that the Securities and Exchange Commission has held that Panhandle Eastern Pipe Line Company is a "subsidiary company" of Columbia Oil & Gasoline Corporation and that Columbia Oil & Gasoline Corporation is a "subsidiary company" of said Columbia Gas & Electric Corporation, as the term "subsidiary company" is defined in Section 2(a)(8) of the Public Utility Holding Company Act of 1935, but denies on information and belief that for any other purpose whatsoever said Panhandle Eastern Pipe Line Company is a subsidiary of said Columbia Oil & Gasoline Corporation or that said Columbia Oil & Gasoline Corporation is a subsidiary of said Columbia Gas & Electric Corporation or that said defendant is an affiliate of Panhandle Eastern Pipe Line Company.

Third: In answer to the paragraph of said petition, numbered "5": said defendant admits that on or about August 31, 1935, Panhandle Eastern Pipe Line Company entered into a written contract with said petitioner, and begs leave to refer to said contract for a full and accurate statement of the terms and conditions thereof and the effect thereof.

Fourth: In answer to the paragraph of said petition, numbered "6": said defendant admits that said contract provided for a price of 3¢ per therm for gas delivered thereunder between the Date of Initial Delivery and the Effective Date, as such terms are defined in said contract, and admits that said petitioner has paid under said contract the average rate per Mcf (based on a hypothetical

1,000 Btu gas) alleged in said paragraph for the years ended March 31, 1938 and March 31, 1939, respectively, but denies that the average rates paid under said contract for the year [fol. 16759] ended March 31, 1940, and the calendar year 1940, respectively, were as stated in said paragraph, and denies that it has any knowledge or information sufficient to form a belief as to the truth of the remaining allegations in said paragraph.

Fifth: In answer to the paragraph of said petition, numbered "7": said defendant denies that it has any knowledge or information sufficient to form a belief as to the truth of the allegations contained therein, except that it admits that Detroit, located in a northern area, affords a large market for househeating gas, that due to the seasonal character of this type of service the load factor is poor, and that certain supplemental contracts were entered into between Panhandle Eastern Pipe Line Company and said Michigan Consolidated Gas Company and begs leave to refer to the provisions of said supplemental contracts for a full and accurate statement of the terms and conditions thereof and the effect thereof.

Sixth: In answer to the paragraph of said petition, numbered "8": said defendant denies that it has any knowledge or information sufficient to form a belief as to the truth of the allegations contained therein, except that it admits that the sales of natural gas made by Panhandle Eastern Pipe Line Company to said petitioner for the years 1936, 1937, 1938, 1939 and 1940 were approximately of the respective amounts stated in said paragraph.

Seventh: In answer to the paragraph of said petition, numbered "9": said defendant denies that it has any knowledge or information sufficient to form a belief as [fol. 16760] to the truth of the allegations contained therein.

Eighth: In answer to the paragraph of said petition, numbered "10": said defendant denies that it has any knowledge or information sufficient to form a belief as to the truth of the allegations contained therein, except that it admits that the gas purchased by said petitioner from Panhandle Eastern Pipe Line Company for resale

and distribution in the City of Detroit and environs is delivered at one point.

Ninth: In answer to the paragraph of said petition, numbered "11": said defendant denies that the rates charged to said petitioner for gas have been increased.

Tenth: In answer to the paragraph of said petition, numbered "12": said defendant denies that it has any knowledge or information sufficient to form a belief as to the truth of the allegations contained therein.

Eleventh: Said defendant points out that while said petitioner prays for a finding that the rates of said Michigan Gas Transmission Corporation are unjust, unreasonable, and unlawfully preferential, it is nowhere in said petition alleges that said defendant's rates and charges are unjust, unreasonable, or unlawfully preferential, and that said petitioner makes no allegation as to the rates, charges, or practices of said Michigan Gas Transmission Corporation.

Wherefore, said defendant prays that said petition be dismissed as to said defendant, Michigan Gas Transmission Corporation.

MICHIGAN GAS TRANSMISSION CORPORATION,
By Walter C. Beckjord, President.

Office and Post Office Address: Suite 2901, No. 61 Broadway, New York, N. Y.

[fol. 16761] State of New York:
County of New York—ss.

Walter C. Beckjord, being duly sworn, deposes and says:

That he is the President of Michigan Gas Transmission Corporation, one of the defendants in the above entitled proceeding; that he has read the foregoing answer and knows the contents thereof and that the same is true to his own knowledge except as to the matters therein stated to be alleged upon information and belief and that as to those matters he believes it to be true.

WALTER C. BECKJORD.

Sworn to before me this 11 day of August, 1941.

Maude H. Curry,

Notary Public, New York County, N. Y. Co. Clk's No. 390, Reg. No. 2C-543 Nassau County Clerk's No. 35-C-40. Commission expires March 30, 1942.
(Notarial Seal)

[fol. 16762] Answer of Defendant, Panhandle Eastern Pipe Line Company, to the Petition of Michigan Consolidated Gas Company, Intervener

(Received August 18, 1941.)

Before the

Federal Power Commission

Docket No. G-200

City of Detroit and County of Wayne, Municipal Corporations, Complainants,

v.

Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Michigan Consolidated Gas Company, Intervener.

To the Honorable Members of the Federal Power Commission:

Defendant, Panhandle Eastern Pipe Line Company, for its separate answer to the petition of intervenor, respectfully shows:

1. Answering paragraphs 1, 2 and 3 of said petition, this defendant admits the allegations thereof, except those with respect to the status of Michigan Gas Trans-
[fol. 16763] mission Corporation under the Natural Gas Act, concerning which this defendant is without sufficient knowledge and information to form a belief.

2. Answering paragraph 4 of the petition, defendant denies the allegations thereof, except that it admits that under the provisions of the Public Utility Holding Company Act of 1935, it has been held by the Securities and Exchange Commission to be a subsidiary of Columbia Oil and Gasoline Corporation, which in turn is a subsidiary of Columbia Gas and Electric Corporation, and except that it admits on information and belief that Michigan Gas Transmission Corporation is a subsidiary of Columbia Gas and Electric Corporation.

3. Answering paragraph 5 of said petition, this defendant admits that on August 31, 1935, it entered into a written contract with intervener, then named Detroit City Gas Company, providing, among other things, for the sale and delivery of natural gas to intervener up to a maximum daily demand and at the rate set forth by petitioner and admits that the cost of gas per MCF at the different load factors enumerated by intervener is approximately correct when based on one thousand BTU gas. Defendant also admits that said contract of August 31, 1935, required intervener to utilize its existing storage holders and permitted it to use its water gas generating equipment for the purpose of leveling peaks, but alleges that intervener has not, by the use of its storage holders and gas generating plant, released pipe line capacity of this defendant for other and further public service.

4. Answering paragraph 6 of the petition, defendant admits that for the years ending March 31, 1938, March [fol. 16764] 31, 1939, and March 31, 1940, the average cost per MCF to intervener was approximately the amounts set forth in said paragraph, but denies that the average cost to intervener for the calendar year 1940 was 33.80 cents. It says that in truth the average cost of gas to intervener for the calendar year 1940, based on one thousand BTU gas, was approximately 32.01 cents per MCF or 1.79 cents less than the amount alleged by intervener. In this connection, the defendant points out that it is obviously erroneous and misleading to compare (as intervener has done) the rate for the calendar year 1940 with the rate for the preceding fiscal year ending March 31, 1940, and says that if a comparison between the period following March 31, 1940, and the preceding period is of importance, the comparison should be made by the use of the fiscal year ending March 31, 1941, rather than with the calendar year 1940, and that the actual cost to intervener for gas produced during the fiscal year ending March 31, 1941, was 31.88 cents.

5. Answering paragraph 7 of the petition, defendant admits that it is now and has at all times been desirous of promoting sales for househeating purposes, as well as any other purposes for which gas sold to intervener might

be suitably used, and that it paid intervener bonuses for 18,000 househeating customers added to intervener's mains. It admits that by a Supplemental Contract of September 29, 1939, it entered into a contract with intervener, increasing this defendant's maximum daily obligation to 100,000,000 cubic feet and extended the househeating rate provided in the contract of June 2, 1936, to include an amount of natural gas equal to the requirements of an additional 5,000 househeating customers and that by contract dated June 29, 1940, defendant's maximum daily obligation was further increased to 125,000,000 cubic feet.

[fol. 16765] It admits that the original contract and all supplemental contracts were entered into by defendant voluntarily and without coercion of any kind and that said contracts have resulted in the sales of substantial volumes of gas to intervener.

It admits that intervener has succeeded in placing 25,000 househeating customers on its mains, but denies that it has wilfully or otherwise discriminated against intervener or subjected it to undue prejudice. It denies that the contracts heretofore entered into between intervener and this defendant have been at the solicitation of this defendant, but says that said contracts were entered into as a result of arms length bargaining between intervener and this defendant and that the supplemental contracts relating to househeating customers were excuted as a result of solicitation by intervener therefor.

Defendant denies that it has ever required intervener to pay for househeating gas at the rate of 62 cents per MCF during any year of operations under said original contract or said supplemental contract. It admits that more than 40,000 househeating customers are now attached to intervener's distributing mains.

Defendant denies that it his ever placed any limitation on the number of househeating customers which intervener might place on its mains and states that the only limitation with respect to househeating customers contained in said contracts is that intervener's right to purchase gas thereunder at a rate which would not exceed four cents per therm, was limited to a total of 25,000 customers.

Further answering said paragraph 7, defendant alleges that the actual unit cost to intervener for quantities of gas purchased for resale to househeating customers in [fol. 16766] excess of 25,000 in number is dependent upon the rate of growth of its househeating business from year to year and upon the relation of the demand contributed or created by househeating customers in excess of 25,000 to the consumption during the year of househeating customers in excess of 25,000. Defendant further alleges that intervener has been purchasing gas from defendant for resale to househeating customers on a "lagging demand" and for that reason its unit cost of gas for resale to househeating customers in excess of 25,000 has been substantially less than four cents per therm. Defendant alleges that the average cost per therm to intervener of gas resold to such excess househeating customers during the calendar year 1940 was only 2.395 cents per therm; and that, based upon reasonable estimates, its average cost of gas for resale to househeating customers in excess of 25,000 during the calendar year 1941 will be less than 3.5 cents per therm and may not exceed the cost during the calendar year 1940, depending upon the rate of growth of househeating business during the calendar year 1941.

Further answering, defendant alleges that by letter to intervener, dated July 18, 1940, it offered to substitute for the rate provided in the aforesaid contract, as supplemented and amended, a different form of rate which would result in a charge of not more than four cents per therm for natural gas sold to it for resale to househeating customers, regardless of the number thereof, but said offer was not accepted. Defendant also alleges that in April, 1941, it indicated to intervener in writing a willingness to recommend to its Board of Directors another rate schedule in substitution for the existing rate schedule under the househeating portion of which intervener could purchase natural gas for resale to an unlimited number of [fol. 16767] househeating customers at a cost of four cents per therm. Defendant states that to this date intervener has not indicated a willingness to accept said rate schedule, although it would effect a substantial savings to intervener.

6. Answering paragraph 8 of the petition, defendant denies that the figures set forth by intervener purporting to represent defendant's total sales and net earnings from operations are correct, but in this connection states that said figures reasonably approximate the correct figures for consolidated sales and consolidated net earnings from operations of defendant and its subsidiary companies. Defendant admits that the other figures set forth in paragraph 8 of the petition reasonably approximate the correct figures.

7. Answering paragraph 9 of the petition, defendant admits that the amount of expenditures for improvements and extensions to its physical properties from 1936 to 1940, inclusive, reasonably approximate the amount set forth therein. Defendant admits that its books reflect a plant account of approximately sixty-five million dollars and that entries for depreciation, depletion and amortization, as recorded on its books, are in excess of nine million dollars, but denies that the figures set forth in said paragraph represent either the value of defendant's plant, or the actual depreciation, depletion or amortization thereof.

8. Answering paragraph 10 of the petition, defendant admits that its present sales to intervener are approximately forty per cent of its total sales.

Defendant admits that its sales and investment in facilities have increased approximately as set forth in said [fol. 16768] petition, and admits that through use of the connecting line now used in supplying Detroit, defendant has increased its sales in the State of Indiana.

In this connection, defendant shows that when the decision was finally reached to supply gas for use in the City of Detroit and it became necessary, in order to supply that market, for defendant to increase its other facilities, both with respect to pipe line and reserves, the management of defendant decided to increase its facilities to such an extent that by the use of that same line for transporting this gas it could market additional gas in the State of Indiana. Likewise, when the connecting line referred to was constructed, it was constructed with facilities adequate for use in transporting gas not only to the

City of Detroit but to various points in the State of Indiana.

Defendant admits that operations under its contract with intervener have contributed to the successful operation of defendant's project, but denies that there was any greater earnings resulting from such operations than from equivalent sales to defendant's other customers or from sales which might have been negotiated in other markets or to other purchasers who might have desired to furnish gas to the City of Detroit if intervener had not seen fit to enter into a contract with defendant.

Defendant further alleges in this connection that the contract between it and intervener has been one extremely valuable to intervener in that it has made available to intervener for distribution in the Detroit area greater volumes of gas than theretofore distributed by it in said area, at a cost to it which was, as stated in a letter from the President of intervener to its customers, written in June, 1936, [fol. 16769] thirty-four per cent lower than the lowest previous proposal offered it by any company.

Defendant denies that from a regulatory or any other standpoint intervener is entitled to special recognition or favors greater than those allowed other customers of defendant with respect to the prices charged for gas or with respect to contractual provisions relating to the price of gas.

9. Answering paragraph 11 of the petition, defendant denies that, eliminating the period of preliminary build-up of intervener's load, there has been any material increase in the price of gas charged intervener by defendant. In this connection, defendant says that such slight variations in the unit cost of gas under the contract and various supplements as have occurred during the several years since the preliminary build-up period closed, such slight variations have been the result of the manner selected by intervener in the operation of its business and failure to take advantage of privileges granted by said contract which, if exercised, might reasonably have resulted in a substantially lower unit cost than that now being paid.

10. Answering paragraph 12 of the petition, defendant denies that its rates for natural gas for resale for pub-

lic consumption in the Detroit area are unreasonable or excessive, and denies that it is earning more than a fair rate on its property used and useful in the conduct of its business. Defendant further denies that its rates are unjustly discriminatory, either as against the locality served or as to the class of service rendered, and denies that by reason of a practical construction of the terms of its contract with intervener, or otherwise, intervener and [fol. 16770] the gas consumers to whom it distributes natural gas are suffering undue discrimination, prejudice or disadvantage.

Wherefore, defendant prays that the petition of intervener, Michigan Consolidated Gas Company, be dismissed or denied.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,
By G. J. Neuner, Vice President.
1221 Baltimore Avenue, Kansas City, Missouri.

Glenn W. Clark, Attorney.
1221 Baltimore Avenue, Kansas City, Missouri.

State of Missouri,
County of Jackson—ss.:

G. J. Neuner, being first duly sworn, deposes and says that he is Vice President of Panhandle Eastern Pipe Line Company, one of the defendants herein; that he has read the foregoing Answer of Defendant, Panhandle Eastern Pipe Line Company, to the Petition of Michigan Consolidated Gas Company, Intervener, and knows the contents thereof, and that the same are true to his own knowledge, except as to the matters therein stated to be alleged upon information or belief and as to those matters he believes them to be true.

G. J. NEUNER.

Subscribed and sworn to before me this 16th day of August, 1941.

MARY C. MAGERS,
Notary Public.

My Commission expires August 31, 1943.

[fol. 16771] (Motion to Dismiss of Panhandle Eastern Pipe Line Company.)

(Received August 20, 1941, Federal Power Commission.)

To the Honorable Members of the Federal Power Commission:

Comes Now Defendant, Panhandle Eastern Pipe Line Company, and moves that the above named and numbered complaint be forthwith dismissed by this Commission, upon the ground that complainants, although offered full opportunity to present evidence in support of their com-
[fol. 16772] plaint, have failed to offer or present evidence of sufficient probative value to justify this Commission in finding that the rates and charges of this defendant, or any of said rates and charges, are either unjust or unreasonable or are unlawfully preferential or work undue prejudice or disadvantages in respect to complainants, or either of them, or in respect to any other person or corporation.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,
By G. J. Neuner,
Vice President,
1221 Baltimore Avenue,
Kansas City, Missouri.

Glenn W. Clark,
Attorney,
1221 Baltimore Avenue,
Kansas City, Missouri.

D. H. Culton,
Attorney,
1221 Baltimore Avenue,
Kansas City, Missouri.

Carl I. Wheat,
Attorney,
520 Shoreham Building,
Washington, D. C.

[fol. 16773] (Motion to Dismiss of Michigan Gas Transmission Corporation.)

To The Honorable Members Of The Federal Power Commission:

Comes Now Defendant Michigan Gas Transmission Corporation and moves that the above named and numbered complaint be forthwith dismissed by this Commission upon the ground that complainants, although offered full opportunity to present evidence in support of their complaint, have failed to offer or present evidence of sufficient probative value to justify this Commission in finding that the rates and charges of said defendant, or any of said rates and charges, are either unjust or unreasonable or are unlawfully preferential or work undue prejudice or disadvantages in respect to complainants, or either of them, or in respect to any other person or corporation, [fol. 16774] and on the further ground that no relief is asked by said complainants, against said defendant Michigan Gas Transmission Corporation in their petition herein.

Respectfully submitted,

MICHIGAN GAS TRANSMISSION CORPORATION,
By Walter C. Beckjord,
President,
Suite 2901,
61 Broadway,
New York, N. Y.

Milton C. Baldridge,
Attorney,
61 Broadway,
New York, N. Y.

Dated, August 19, 1941.

[fol. 16775] (Order of Federal Power Commission Denying Motions to Dismiss of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.)

United States of America,

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper and John W. Scott. Basil Manly and Clyde L. Seavey not participating.

September 2, 1941.

City of Detroit, Michigan, and County of Wayne, Michigan,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

Upon consideration of a motion filed by Panhandle Eastern Pipe Line Company on August 20, 1941, and motion filed by Michigan Gas Transmission Corporation on August 21, 1941, to dismiss the proceeding herein upon certain grounds as specified in said motions, and the request for oral argument thereon;

It appearing to the Commission that an order has this day been adopted consolidating this proceeding with the proceedings at Docket No. G-207 in the matter of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, and that no good cause exists for granting the said motions;

The Commission orders that:

The motions be and they are hereby denied.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16776] Order Instituting Investigation.

United States of America,

Federal Power Commission.

Commissioners) Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

May 22, 1941.

In the Matter of

Panhandle Eastern Pipe Line Company,
and
Michigan Gas Transmission Corporation.

Docket No. G-207.

It appearing to the Commission that:

(a) On February 28, 1941, the City of Detroit and the County of Wayne, Michigan, both of which are municipalities within the meaning of the Natural Gas Act, filed, at Docket No. G-200, a petition which, among other things, alleges in substance: that the Panhandle Eastern Pipe Line Company is engaged in the transportation of natural gas in interstate commerce from producing fields in the States of Texas and Kansas to a point of delivery near the City of Detroit; that it is also engaged in the sale of such gas to the Michigan Consolidated Gas Company for resale in said City of Detroit and County of Wayne; that such gas is transported from a point on the Indiana-Illinois boundary line to a point at or near the City of Detroit by the Michigan Gas Transmission Corporation for the account of the Panhandle Eastern Pipe Line Company, for which transportation Panhandle Eastern Pipe Line Company pays its affiliate, Michigan Gas Transmission Corporation, an excessive rate or charge; that the rates and charges demanded and collected by Panhandle Eastern Pipe Line Company from the Michigan Consolidated Gas Company are unjust, unreasonable, and unduly discriminatory; and said City of Detroit and County of Wayne request this Commission, after investigation, to fix and determine the just and reasonable rates to be thereafter observed and in force in respect of such transporta-

tion and sale of natural gas for resale in said City and County;

(b) Michigan Gas Transmission Corporation filed an answer to said petition on March 28, 1941, denying, among other things, that it is affiliated with Panhandle Eastern Pipe Line Company, or "that the division to Michigan Gas Transmission Corporation of the rates and charges maintained by Panhandle Eastern Pipe Line Company are unjust and unreasonable, or that any charges of Michigan [fol. 16777] Gas Transmission Corporation in connection with the sale or delivery of gas to Michigan Consolidated Gas Company are excessive, unjust or unreasonable";

(c) Panhandle Eastern Pipe Line Company filed an answer to said petition, on April 3, 1941, denying, among other things, that it is affiliated with the Michigan Gas Transmission Corporation, or that it is controlled by the Columbia Gas & Electric Corporation, or that its rates are unjust, unreasonable, or discriminatory;

(d) The Panhandle Eastern Pipe Line Company is engaged in the transportation of natural gas in interstate commerce through a transmission pipe line extending from the State of Texas to a point on the border line between the States of Illinois and Indiana, and the sale in interstate commerce of natural gas for resale, and may be a natural-gas company within the meaning of the Natural Gas Act;

(e) The Michigan Gas Transmission Corporation is engaged in the transportation of natural gas in interstate commerce through a transmission pipe line extending from a point on the border line between the States of Illinois and Indiana to a point at or near the City of Detroit, Michigan, and the sale in interstate commerce of natural gas for resale, and may be a natural-gas company within the meaning of the Natural Gas Act;

(f) Natural gas sold by the Panhandle Eastern Pipe Line Company to the Michigan Consolidated Gas Company for resale in the City of Detroit is transported by Michigan Gas Transmission Corporation through its interstate transmission pipe line for the account of Panhandle Eastern Pipe Line Company;

(g) It is necessary and proper, in the public interest, and to aid in the enforcement of the provisions of the Natural Gas Act that an investigation be instituted by the Federal Power Commission, on its own motion, (1) to determine whether the Panhandle Eastern Pipe Line Company or the Michigan Gas Transmission Corporation is a natural-gas company within the meaning of the Natural Gas Act; and (2) into and concerning all rates, charges, or classifications demanded, observed, charged, or collected by the Panhandle Eastern Pipe Line Company and the Michigan Gas Transmission Corporation in connection with any transportation or sale of natural gas subject to the jurisdiction of the Commission, and any rules, regulations, practices, or contracts affecting such rates, charges, or classifications;

The Commission, on its own motion, orders that:

[fol. 16778] An investigation of the Panhandle Eastern Pipe Line Company and the Michigan Gas Transmission Corporation be and it is hereby instituted for the purpose of enabling the Commission:

(1) To determine with respect to each of said companies (a) whether it is a natural-gas company within the meaning of the Natural Gas Act, and (b) whether in connection with any transportation or sale of natural gas subject to the jurisdiction of this Commission, any rates, charges, or classifications demanded, observed, charged, or collected, or any rules, regulations, practices, or contracts affecting such rates, charges, or classifications, are unjust, unreasonable, unduly discriminatory, or preferential; and

(2) If the Commission, after hearing has been had, shall find that the Panhandle Eastern Pipe Line Company or the Michigan Gas Transmission Corporation is a natural-gas company within the meaning of the Natural Gas Act, and that any of their rates, charges, classifications, rules, regulations, practices, or contracts, subject to the jurisdiction of this Commission, are unjust, unreasonable, unduly discriminatory, or preferential, to determine and fix by appropriate order or orders, just and reasonable

rates, charges, classifications, rules, regulations, practices, or contracts to be thereafter observed and in force.

By the Commission.

J. H. GUTRIDE,
Acting Secretary.

[fol. 16779] Order Consolidating Proceedings For Purposes of Hearing.

United States of America,

Federal Power Commission.

Commissioners: Leland Olds, Chairman, Claude L. Draper and John W. Scott. Basil Manly and Clyde L. Seavey not participating.

September 2, 1941.

City of Detroit, Michigan, and County of Wayne, Michigan,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

In the Matter of

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

Docket No. G-207.

It appearing to the Commission that:

(a) By order of June 10, 1941, the Commission fixed the date of hearing in the above-entitled proceeding at Docket No. G-200 for July 15, 1941, and hearing thereon was held on July 15, 16, and 18 and was adjourned to reconvene on September 2, 1941;

(b) The proceedings in the above-entitled matters at Docket No. G-200 and Docket No. G-207 involve similar issues and facts;

The Commission orders that:

(A) A public hearing in the proceeding at Docket No. G-207 be held commencing on September 2, 1941, at 9:45

a. m. (E.S.T.), at 1800 Pennsylvania Avenue, N. W., in the City of Washington, D. C.;

(B) The proceedings in the above-entitled matters at Docket No. G-200 and Docket No. G-207 be and they are hereby consolidated for the purposes of hearing thereon.

By the Commission.

LEON M. FUQUAY,
Secretary.

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* * * * * * *

[fol. 16799] (Petition of Panhandle Eastern Pipe Line Company for Continuance of Hearing.)

(Received February 4, 1942, Federal Power Commission.)

Before the Federal Power Commission of the United States

In the matter of

City of Detroit, Michigan, and County of Wayne, Michigan,
Complainants,

Docket No. G-200 vs.

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, Defendants.

In the matter of

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

Docket No. G-207.

Panhandle Eastern Pipe Line Company, one of the defendants in the above-entitled cause, hereby petitions the Commission for a continuance of the hearing now in progress, and as grounds therefor states:

I.

Status of Hearing.

The hearing in these proceedings has been in progress since July 15, 1941. Short recesses only have been taken, these having been solely for such periods of time as were necessary to enable the defendants to prepare their direct

testimony and also to enable counsel for other parties to prepare for cross-examination of defendants' witnesses.

[fol. 16800] The direct testimony of defendant Panhandle Eastern Pipe Line Company was completed on October 29, 1941, except for such additional testimony as may be required to complete certain phases of the case. The direct testimony of defendant Michigan Gas Transmission Corporation was completed on November 19, 1941. Five days thereafter, on November 24, 1941, Commission counsel and counsel for the complainants and interveners commenced cross-examination of defendant Panhandle Eastern Pipe Line Company's witnesses. This cross-examination has been continuous, except for a brief recess during the holiday season. Since cross-examination commenced, more than 5,000 pages of oral testimony have been taken, the entire record now containing more than 7500 pages of oral testimony and more than 150 exhibits. The cross-examination of witnesses offered by defendant Panhandle Eastern Pipe Line Company on their direct testimony to date has now been practically completed. However, cross-examination of the witnesses offered by defendant Michigan Gas Transmission Corporation has not been commenced. Counsel for all parties to these proceedings have fully cooperated with the Trial Examiner in expediting the hearing.

The defendants Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, while joint defendants, have to date operated under entirely separate managements, and have therefore presented their evidence separately. They have offered different witnesses, and [fol. 16801] have been represented by separate counsel. Defendant Panhandle Eastern Pipe Line Company has not participated in any way in the development or presentation of the evidence offered by Michigan Gas Transmission Corporation.

II.

The Changed Status of Defendants' Corporate Structures and Relations

By an order of the Securities and Exchange Commission, dated January 21, 1942 (Exhibit No. 147 in these proceedings), defendant Panhandle Eastern Pipe Line Company was authorized

(a) To acquire from Columbia Oil & Gasoline Corporation all the Class A preferred stock of Panhandle Eastern Pipe Line Company of the par value of $10,000,000;

(b) To acquire from Columbia Gas & Electric Corporation all of the stock and debt of Michigan Gas Transmission Corporation and of Indiana Gas Distribution Corporation at the cost of $10,780,840.59 for the Michigan Corporation and $153,698.20 for the Indiana Corporation;

(c) To acquire from The Ohio Fuel Gas Company certain pipe lines and other property in the States of Indiana and Ohio at a price of $439,326.08;

(d) To issue and sell a new class of preferred stock to the amount of 150,000 shares of the par value of $100 per share;

[fol. 16802] (e) To issue and sell first mortgage and first lien bonds to the amount of $10,000,000.

Pursuant to proper notice, a contract for the sale of these bonds and the issue of preferred stock was entered into on February 2, 1942, and the sale thereof to be consummated on February 6, 1942, has been approved by the Securities and Exchange Commission. A copy of said contract has been filed as an exhibit in these proceedings. The proceeds from the sale of said bonds and stock are to be used in liquidating the outstanding Class A preferred stock of defendant Panhandle Eastern Pipe Line Company, to the extent of $10,000,000; to the payment of the purchase price for the stock and debt of Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation, and as payment for the properties to be acquired from The Ohio Fuel Gas Company. Any balance remaining is to be expended in connection with capital expenditures now being made by Panhandle Eastern Pipe Line Company for expansion of its facilities.

All parties to the transactions above outlined have agreed that the transactions will be closed on February 6, 1942, at which time Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation will become wholly owned subsidiaries of defendant Panhandle Eastern Pipe Line Company, and on the same date the pro-

perties of Ohio Fuel Gas Company will become a part of the Panhandle Eastern Pipe Line Company system.

[fol. 16803] Obviously, upon the consummation of these transactions, the corporate structures and relations of the defendants in these proceedings will be changed. Defendant Panhandle Eastern Pipe Line Company will then have securities outstanding different in certain respects from those heretofore outstanding, and the operating problems of defendants Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation must be considered from a consolidated standpoint rather than from the standpoint of a separate entities.

III.

Defendant Panhandle Eastern Pipe Line Company Requires Time to Consider and to Prepare Evidence Concerning the Effect of the Change in Status Upon its Present and Future Operations

Upon the consummation of these transactions on February 6, 1942, it will become necessary for the executives and employees of Panhandle Eastern Pipe Line Company, in connection with present war emergency requirements, and these corporate changes, to study the operating practices of Michigan Gas Transmission Corporation, with a view to determining whether any changed methods of operation would enable the two companies more adequately to serve the public interest. This will include, among other things, a consideration of whether additional pipe line capacity or power should be installed by Michigan Gas Transmission Corporation so that its facilities could be used to the best advantage in connection with the necessary expansion of Panhandle Eastern Pipe Line Company's system to serve its customers.

[fol. 16804] It will also be necessary for the executives of Panhandle Eastern Pipe Line Company to prepare and to supervise the preparation of such exhibits, for introduction in these proceedings, as will be necessary to reflect the consolidated operations of these properties. The present record does not comprehend such a situation. It is expected that such exhibits will not be numerous, and they will be supplemental to those now in evidence. They are,

however, necessary, in order that the record may reflect the correct situation as it has now developed.

IV.

General World Situation

In further support of the prayer of this motion, defendant Panhandle Eastern Pipe Line Company represents that since the hearings in these proceedings commenced, and in fact since the conclusion of its direct testimony, the United States has been precipitated into a state of war. During this period, and largely as a result of world conditions, there has been a more rapid rise in price levels than was originally anticipated. Data respecting these matters should also be prepared and presented in these proceedings.

Wherefore, defendant Panhandle Eastern Pipe Line Company respectfully prays that the Commission grant a continuance of the hearing in these proceedings for a period of at least sixty (60) days.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY.
By J. D. Creveling,
President.

[fol. 16805] District of Columbia,
United States of America,—ss.:

J. D. Creveling, being duly sworn, deposes and says; that he is President of Panhandle Eastern Pipe Line Company, a party to the above-entitled proceedings; that he has read the foregoing petition, and knows the contents thereof; that the same are true as stated, except as to matters and things if any, stated on information and belief, and that as to those matters and things, he believes them to be true.

J. D. CREVELING.

Subscribed in my presence, and sworn to before me, by the affiant above named, this 4th day of February, 1942.

(Seal) Notary Public.

My Commission expires

[fol. 16806] I hereby certify that I have this day served the foregoing document upon all parties of record in these proceedings by delivery in person to the following.

Harry Littman, Esq.,
Federal Power Commission,
Washington, D. C.

James H. Lee, Esq.,
City of Detroit,
Washington, D. C.

Harry Goodman, Esq.,
County of Wayne,
Washington, D. C.

Park Chamberlain, Esq.,
Michigan Consolidated Gas Company,
Washington, D. C.

Milton C. Baldridge, Esq.,
Michigan Gas Transmission Corporation,
Washington, D. C.

Dated at Washington, D. C., this 4th day of February, 1942.

D. H. CULTON,
Of counsel for
PANHANDLE EASTERN PIPE LINE COMPANY.

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* * * * * * * * * *

Objections of Complainants to Defendants' Motion for Continuance.

[fol. 16809] (Received February 11, 1942, Federal Power Commission.)

Now come the City of Detroit, and the County of Wayne, the Complainants, by their respective attorneys, and object to the granting of a continuance to the defendants for a sixty day period, as requested, for the following reasons:

This case, though prosecuted with diligence, has, never-the-less, required a protracted time. It is the plaintiffs' contention that, upon the evidence admitted, a very sub-

stantial rate reduction will be in order, and that, prior to the inception of this case, the defendants were maintaining unjust and unreasonable rates as against the consumers represented by the complainants; and that, if reasonable rates had been in effect from the beginning of this case, the saving to all of the defendants' customers would have [fol. 16810] amounted to a figure in excess of Ten Thousand ($10,000.00) Dollars per day. If complainants' contentions are well founded, the defendants' customers are losing in excess of Ten Thousand ($10,000.00) Dollars per day for each day the hearing is protracted.

There has been allowed to the defendants an adjournment from February 4, 1942 to February 23, 1942, and, in this interim, the defendants ought to be able to make adequate preparations for such further presentation of evidence as may be proper.

The conditions of the war actually require that the price of great natural resources be fixed at the lowest possible level, and that controversies in respect to rates be determined with the utmost diligence.

It is recognized that persons who might be engaged with matters in connection with this case may have, at various times, paramount duties to attend to, but such circumstances, as they arise, should be determined simply as a matter of orderly trial procedure under the directions of the examiner, and are wholly apart from protracted delays amounting to two months.

Wherefore, complainants respectfully submit that the motion for continuance be denied.

WILLIAM E. DOWLING,
Prosecuting Attorney for Wayne County.

HAROLD GOODMAN,
Special Assistant Prosecuting Attorney.

PAUL E. KRAUSE,
Corporation Counsel for the City of Detroit.

JAMES H. LEE,
Assistant Corporation Counsel.

[fol. 16811] Order Denying Petition for Continuance and Changing Place of Hearing.

United States of America

Federal Power Commission.

Commissioners Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

February 17, 1942.

City of Detroit, Michigan, and County of Wayne, Michigan, Docket No. G-200. vs.
Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

In the Matter of

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

Docket No. G-207.

Upon application, filed February 4, 1942, by Panhandle Eastern Pipe Line Company, Defendant, for a continuance of the hearing in this proceeding for a period of at least 60 days; and

It appearing that:

(a) The City of Detroit, Michigan, and County of Wayne, Michigan, Complainants, on February 11, 1942, filed objections to the said petition for continuance;

(b) Subsequent to the filing of said petition for continuance, the hearing was recessed by the Commission's Examiner to reconvene on February 23, 1942;

(c) No good cause exists for a 60-day postponement of the hearing;

The Commission orders that:

[fol. 16812] (A) The said petition for a continuance of 60 days be and is hereby denied;

(B) The hearing in this proceeding be resumed on February 24, 1942, at 9:45 a. m., C. W. T., in Room 406, County Building, at Detroit, Michigan.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16814] (Petition of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation for Continuance of Hearing.)

(Received February 28, 1942, Federal Power Commission.)

Before the Federal Power Commission of the United States.

In the matter of

City of Detroit, Michigan, and County of Wayne, Michigan Complainants,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, Defendants.

In the matter of

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

Docket No. G-207.

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, defendants in the above numbered and entitled proceedings, hereby petition and move the Commission for a continuance of the hearing now in progress therein, and as grounds therefor state:

Since the dates upon which these defendants presented their direct evidence in these proceedings the surrounding conditions have so changed as a result of matters and happenings not caused by them and not predictable when such evidence was prepared and presented, that many of the estimates and much of the factual data on which estimates and other testimony were based, do not now apply. Therefor, the Commission cannot, without consideration of such changed conditions and the manifold present and potential results thereof, determine or be in a position properly or reasonably to determine the issues involved in these proceedings in a manner calculated to give effect to the actual- [fol. 16815] ities which now confront these defendant corporations.

In this connection defendants point out:

These proceedings were instituted in the Spring of 1941, and in July 1941 defendants were required to be prepared

to present their evidence at hearings commencing on September 2, 1941. Defendants promptly commenced and carried forward the preparation of their direct testimony, based on June 30, 1941 conditions, and as expeditiously as possible actually completed such preparations and the presentation of such evidence to this Commission. As a matter of fact, subject to certain reservations, Panhandle Eastern Pipe Line Company completed the presentation of its direct evidence on October 29, 1941 and Michigan Gas Transmission Corporation completed the presentation of its direct evidence on November 19, 1941.

In order properly to present their evidence, however, defendants at that time could only anticipate and estimate sales and market conditions for the immediate future in the light of conditions theretofore existing. Thus, market conditions at the various points of delivery were perforce treated as normal. Prices reasonably expected to be received for gas sold were based on those then existing. With respect to defendants' largest single customer, Michigan Consolidated Gas Company, the estimates were prepared and presented on the basis of reasonable expectancy in the light of the 1940-1941 maximum demand and on information received from its customer as to its then expected 1941-1942 maximum demand. However, as a result of information now available, and as a result of matters and events which have transpired since defendants' closed the presentation of their direct evidence, it is now apparent [fol. 16816] that the estimates then made do not properly, reasonably or adequately reflect the conditions which now obtain.

With respect to the Detroit market, the estimates offered by defendants were based on the assumption that the maximum day's purchases for that market during the winter season 1941-1942 would at least equal the maximum provided under the contract, to wit: 125,000,000 cu. ft. As of today, although defendants are reliably informed that the maximum Detroit market requirements for gas have already exceeded 140,000,000 cu. ft. per day in 1942, the maximum volume actually taken from defendants under said contract has at no time exceeded 110,000,000 cu. ft., thus resulting in the establishment of a maximum day at least 15,000,000 cu. ft. less than that heretofore estimated,

and thereby greatly reducing the demand charge collectible by defendants with a resultant substantial decrease in their revenues. This result was made possible by the exercise by the customer of its contractual right to "shave its peaks" through the operation of its manufactured gas facilities.

Defendants further show that since their evidence was prepared and introduced in these proceedings, the United States has been forced into an all-out war and is now faced with a national emergency which unquestionably will exist for some time. These defendants have not escaped and cannot escape the results of such national emergency. Defendants directly or indirectly furnish gas to more than two hundred defense indutstries and have been and are now continuously being requested to furnish service to many others, with which requests defendants, to the extent of their capacity, desire to comply. Because of the importance [fol. 16817] of defendants' lines and properties from the standpoint of the national defense effort, defendants have been warned by the War Department and by the Federal Bureau of Investigation of the possibility of attempts at sabotage. Following defendants' best judgment of the proper protection which should be afforded to these properties against such potential acts of sabotage and in line with views expressed by said Federal Agencies, defendants have organized a property protection department. To date defendants have employed in this department more than one hundred carefully selected men at substantial additional annual expense. This expense will be increased from time to time because of the necessary addition of other employees for these purposes.

Defendants further represent that on February 16, 1942, the Federal War Production Board issued its official "Limitation Order L-31", applicable to the States of Michigan, Ohio, Indiana, Illinois and Missouri, in which defendants operate, as well as to numerous other States. This order, a copy of which (together with the release of the War Production Board which accompanied it) is attached hereto as "Exhibit A". The order has been incorporated in the record in these proceedings. It was promulgated in the interest of national defense and, although styled "to curtail consumption of natural gas" is rather an order issued for

the purpose of controlling and determining the use to which natural gas may be put under certain defined circumstances, as well as for the purpose of determining priorities of use for such gas. The provisions of said order impose upon these defendants certain definite and significant obligations not theretofore existing; similarly it imposes new obligations on defendants' customers, and finally it imposes new obligations on the customers of defendants' customers.

[fol. 16818] The full extent of the effects of such order upon defendants and their customers has not yet been determined and cannot reasonably be determined for some time; yet it is already apparent that as a result of such order defendants' previous estimates with respect to the volumes of gas which they may sell to their various classes of customers will necessarily be materially altered and that all former estimates of gross revenues will be substantially decreased. This result necessarily flows from the circumstances that priority in use is provided for gas sold to manufacturing industries engaged in war activities. Moreover the full extent of the effects of said order cannot be determined without considering the purpose for which each ultimate user of gas is purchasing such gas, and also the standby facilities available to such user or to the distributor furnishing such gas. These defendants now serve directly or indirectly more than two hundred industries directly engaged in defense activities, as well as approximately seven hundred thousand domestic, commercial and other industrial users of gas. A determination of the effect of this important federal order on defendants' operations and on the revenues to be received therefrom is essential, and obviously can be determined only as a result of careful and detailed analysis. Such analysis will, of necessity, require considerable time. This is obviously a situation not at all of defendants' making, but results wholly from the war in which the nation is now engaged.

Furthermore, it appears upon the record herein that large capital expenditures will be required in the immediate future for additions and improvements in defendants' trans-[fol. 16819] mission and production facilities, in order to enable them more adequately to serve their existing market areas, and in order to provide for such increases in sales of gas as would normally have been expected therein. Such

capital expenditures are still required, probably at an accelerated rate in [in] order to meet war conditions and demands. In developing their direct evidence in these proceedings, defendants estimated and then believed that the revenues resulting from such increased sales would produce returns comparable to those received from existing sales. Under normal conditions defendants believe that such assumptions would have been justified, but the regulations and limitations contained in said War Production Board Order L-31 have so materially altered the surrounding circumstances and conditions as to render such assumptions wholly unwarranted and presently untenable. Said order would, in effect, confine additional sales of gas to uses less remunerative per unit than would otherwise be the case in the absence of such limitation. Obviously, a careful analysis of such changed situation must be reflected in the record herein before any fair or reasonable evaluation of defendants' rates can be arrived at.

This is a matter of paramount import. In the light of the considerations above outlined; in view of the complex and wholly unprecedented situation which now confronts these defendants; in view of the serious nature of the factors which have intervened since the presentation of defendants' direct testimony in these proceedings, and by reason of the state of war which has come into being since such presentation, and the order of the War Production Board herein mentioned, defendants now ask this Commission to direct a continuance of the hearings in said proceedings [fol. 16820] for a period of not less than one hundred and twenty days, in order to afford to these defendants a minimum opportunity to attempt to ascertain the effect of, and to develop and present evidence in respect to the probable effect upon them of such changed conditions, and in order to afford to these defendants that measure of due process of law to which they are entitled under the Constitution of the United States.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,
By J. D. Creveling, Its President.

MICHIGAN GAS TRANSMISSION CORPORATION,
By J. D. Creveling, Its President.

[fol. 16821] State of Michigan,
County of Wayne—ss.

J. D. Creveling, being duly sworn, deposes and says: that he is President of Panhandle Eastern Pipe Line Company, and President of Michigan Gas Transmission Corporation, parties to the above-entitled proceedings; that he has read the foregoing petition, and knows the contents thereof; that the same are true as stated, except as to matters and things if any, stated on information and belief, and that as to those matters and things, he believes them to be true.

J. D. CREVELING.

Subscribed in my presence, and sworn to before me, by the affiant above named, this 27th day of February, 1942.

(Seal) KATHERYN STIMMELL,
Notary Public.

My Commission expires April 3, 1943.

[fol. 16822] I hereby certify that I have this day served the foregoing document upon all parties of record in these proceedings by delivery in person to the following:

Harry Littman, Esq., Federal Power Commission, Washington, D. C.

James H. Lee, Esq., City of Detroit, Detroit, Michigan.

Harry Goodman, Esq., County of Wayne, Detroit, Michigan.

Park Chamberlain, Esq., Michigan Consolidated Gas Company, Detroit, Michigan.

Dated at Detroit, Michigan, this 28th day of February, 1942.

D. H. CULTON.

Of counsel for
Panhandle Eastern Pipe Line Company

[fol. 16823] Exhibit A.

Title 32—National Defense

Chapter IX—War Production Board

Subchapter B—Division of Industry Operations

Part 1056—Natural Gas

Limitation Order L-31

To Curtail Consumption of Natural Gas

Whereas, because of increased gas requirements for war production and civilian uses, and because of scarcity of materials for the construction of pipe lines and other facilities, shortages of natural gas have occurred in certain areas of the United States and are threatened in others; and

Whereas, during periods of adverse weather conditions, the demand for natural gas in many areas will increase beyond the capacity of existing facilities to meet such demand; and

Whereas, the limitations upon deliveries of natural gas and the integration of gas system operations hereinafter ordered are necessary in order to maintain gas deliveries to war industries and essential civilian services;

Now, Therefore, It Is Ordered That:

Part 1056.1—General Limitation Order

(a) Definitions. For the purposes of this Order:

(1) "Person" means any individual, partnership, association, business trust, corporation, governmental corporation or agency, or any organized group of persons whether incorporated or not.

(2) "Utility" means any person in the United States supplying natural gas or mixed natural and manufactured gas, directly or indirectly, for general use by the public.

(3) "Consumer" means an ultimate user of gas purchased or otherwise received from any Utility.

(4) "Standby Facilities" means equipment in serviceable operating condition designed to use oil, electricity, coal

or other fuel to replace natural gas, and for the operation of which a supply of such fuel is available.

(b) Integration of Gas System Operation. Each Utility shall so operate its gas manufacturing, transmission, storage, distribution, and other facilities, and shall so interchange gas with other Utilities as to achieve as far as practicable maximum output in the area or areas in which a shortage exists or is imminent, and each Utility shall make such pooling arrangements as may be necessary to effectuate such purpose. Where necessary for such purpose, the Director of Industry Operations will, from time to time, issue specific directions as to the operation of gas manufacturing, transmission, storage, distribution, and other facilities, and as to deliveries of gas.

[fol. 16824] (c) Limitation on Deliveries of Natural or Mixed Natural and Manufactured Gas.

(1) In the event that the supply of natural or mixed natural and manufactured gas available in an area served by any Utility is insufficient to meet the demand therefore, and reduction in deliveries to Consumers becomes necessary, the Utility supplying such area shall reduce deliveries to its Consumers in the following manner and in accordance with such other specific directions as the Director of Industry Operations may from time to time issue:

(i) First, the Utility shall, within the limits of its contractual rights, reduce deliveries to all dump or surplus Consumers not engaged in war production, and deliveries to Consumers who have Standby Facilities, the operation of which can directly or indirectly reduce the total demand for natural or mixed natural and manufactured gas in the area.

(ii) Second, the Utility shall, to the extent necessary, operate all of its available gas manufacturing equipment so as to effect directly or indirectly the maximum increase in the supply of gas in the area.

(iii) Third, the Utility shall, without regard to its contractual rights or those of any Consumer, reduce deliveries to all other Consumers who have Standby Facilities to the extent that the operation of such facilities can directly or

indirectly alleviate the shortage of natural or mixed natural and manufactured gas in the area, and no such Consumer, after notification of the reduction in deliveries required shall accept deliveries of gas unless his Standby Facilities are being operated so as to effect the required reduction in his purchases of gas.

(iv) Fourth, the Utility shall, without regard to its contractual rights or those of any Consumer, reduce as far as practicable deliveries to Consumers in such manner as will cause the least interference with war production, and each Consumer who receives notification of the reduction in deliveries required shall reduce his acceptance of deliveries accordingly.

(2) Whenever any Utility finds it necessary to make any reduction in deliveries of gas to any Consumer in accordance with paragraphs (c) (1) (iii) and (c) (1) (iv) of this Order, it shall promptly notify the Consumer and at the same time give telegraphic notice thereof, to the Power Branch, War Production Board.

(3) Following each such shortage period, each affected Utility shall submit a detailed report of the quantities of gas conserved by the operation of Standby Facilities and the duration of curtailment and the extent to which each industrial Consumer was curtailed. Such report shall be filed on Form PD-283.

[fol. 16825] (4) Any Consumer who considers that any reduction in deliveries to him interferes materially with war production shall have the right to apply by telegram for relief to the Director of Industry Operations, who may grant such specific exemptions or take such other action as may be consistent with the purposes of this Order. Such application shall state the nature of the war materials being manufactured, the extent to which production has been curtailed because of reduced delivery of gas, and the increase in delivery of gas required for restoration of full production.

(5) No consumer shall be relieved of the requirements of section 944.2 or any other section of Priorities Regulation No. 1 Amended, by reason of the provisions of this paragraph (c).

(d) Restrictions upon Increased Deliveries to Non-residential Consumers. No Utility shall, after ten days following the effective date of this Order, deliver natural or mixed natural and manufactured gas to any new non-residential Consumer in the areas specified in Exhibit "A" annexed hereto, as the same may be amended from time to time, or increase deliveries of such gas to any existing non-residential Consumer in such areas for the operation of any new gas equipment, unless:

(1) Such new or existing non-residential Consumer shall have installed, prior to the date of the increase in deliveries, Standby Facilities of sufficient capacity to replace the new or increased deliveries of such gas during periods of shut-off, or

(2) Such new or existing non-residential Consumer cannot reasonably use any fuel other than gas, natural, or mixed natural and manufactured, because of technical utilization factors or process requirements.

(3) Such new delivery or increase in deliveries shall have been specifically approved in advance by the Director of Industry Operations. Any Consumer or Utility who considers that such deliveries are necessary for war production may apply for such approval to the Director of Industry Operations, who may grant such specific exemptions or take such other action as may be consistent with the purposes of this Order.

(e) Prohibition against Delivery to New Space Heating Installations.

(1) No Utility shall deliver and no Consumer shall accept delivery of natural gas or mixed natural and manufactured gas in the areas specified in Exhibit "A" annexed hereto, as the same may be amended or modified from time to time by the Director of Industry Operations, for either of the following purposes:

(i) For the operation of central space heating equipment (or heating equipment supplying the major portion of the heating requirements of the premises), unless such equipment was installed prior to March 1, 1942, or unless, in the case of new construction, the equipment was speci-

fied in the construction contract, and the foundation under [fol. 16826] the main part of the structure in which the equipment is to be installed was completed prior to March 1, 1942; or

(ii) For the operation of central space heating equipment (or heating equipment supplying the major portion of the heat requirements of the premises), which has been converted from other fuel to natural or mixed natural and manufactured gas unless such conversion has been completed prior to ten days after the effective date of this Order.

(2) Any Utility affected by the provisions of this paragraph (e) or any governmental agency which considers that supply of gas available on any particular system or portion thereof is adequate to take care of all existing and estimated future requirements of war industry, and unrestricted civilian use for the period ending April 1, 1944, may apply for exemption of the system or any portion thereof from the provisions of this paragraph to the Director of Industry Operations, who may grant such specific exemptions or take such other action as may be consistent with the purposes of this Order.

(f) Appeal. Any person affected by this Order who considers that compliance therewith would work an exceptional and unreasonable hardship on him may appeal for relief to the Director of Industry Operations who may grant such specific exemptions or take such other action as may be consistent with the purposes of this Order.

(g) Reports and Information

(1) Each Utility shall keep and preserve for not less than two years accurate and complete records concerning deliveries of natural gas to Consumers.

Such records shall be subject to inspection by duly authorized representatives of the War Production Board.

(2) All persons affected by this Order shall execute and file with the War Production Board such reports and questionnaires as said Board shall, from time to time, request.

(h) Communications to War Production Board. All reports required to be filed hereunder, and all communications concerning this Order, shall, unless otherwise directed, be addressed to:

"War Production Board

Washington, D. C. Ref.: L-31."

(i) Violations. Any person who wilfully violates any provisions of this Order, or any other order, direction or regulation, issued pursuant hereto, or who by any act or omission falsifies records to be kept or information to be furnished pursuant to this Order, may be prohibited from delivering or receiving gas, or any other material subject to allocation, and such further action may be taken as is deemed appropriate, including a recommendation for prosecution under Section 35(A) of the Criminal Code (18 U. S. C. 80).

[fol. 16827] (j) Effective Date. This Order shall take effect immediately and, unless sooner terminated, shall continue in full force and effect until April 1, 1943.

(P. D. Reg. 1 Amended, Dec. 23, 1941, 6 F. R. 6680; W. P. B. Reg. 1 Jan. 26, 1942, 7 F. R. 561; E. O. 9024, Jan. 16, 1942, 7 F. R. 329; E. O. 9040, Jan. 24, 1942, 7 F. R. 527; sec. 2(a), Public No. 671, 76th Congress, Third Session, as amended by Public No. 89, 77th Congress, First Session.)

Issued this 16th day of February, 1942.

J. S. KNOWLSON,
Director of Industry Operations.

[fol. 16828] Exhibit A.

Areas subject to prohibitions contained in paragraph (e) of Limitation Order L-31.

Alabama—(except the area served by the United Gas Pipe Line Company)

Arkansas—(only the area served by the Mississippi River Fuel Company).

California

District of Columbia

Georgia

Illinois

Indiana

Kentucky

Maryland

Michigan

Mississippi—(except the area served by the United Gas Pipe Line Company)

Missouri

New York

Ohio

Pennsylvania

Tennessee

Virginia

West Virginia

[fol. 16829] Advance Release: for Monday Morning Papers, February 16, 1942.

24033

War Production Board

WPB 230

The War Production Board today ordered a curtailment in the consumption of natural gas and mixed natural and manufactured gas.

The action was taken to assure adequate supplies of gas for war production. It was necessary because of increased gas requirements for both war production and civilian use, coupled with the scarcity of materials that would be required if existing systems were expanded.

Parts of the order (L-31) apply to the entire country. They do not become operative until a gas shortage occurs or becomes imminent in any area.

Other parts of the order apply only to 17 states and the District of Columbia, where the need for curtailment is greatest. They become effective by March 1 but do not

affect present uses of existing customers. That is, a consumer now using gas to cook or heat water is not restricted in such uses but he may not install a gas heating system in his home, store, or factory, or convert heating equipment now using other fuel to gas.

The order affects companies distributing natural gas or natural gas mixed with manufactured or artificial gas. It does not affect companies distributing only artificial or manufactured gas.

Gas companies operating in 17 states and the District of Columbia are ordered as follows:

1. They are prohibited from delivering gas for heating new homes, stores, factories or other buildings, unless the heating equipment is installed prior to March 1, 1942, or the equipment was specified in the construction contract and the foundation under the main part of the building is completed prior to March 1. This applies to a heating system intended to furnish all or the major part of the heat for a home or building. It does not apply to individual room heaters.

2. They are prohibited from delivering gas for the operation of heating equipment that has been converted from some other fuel to gas, unless such conversion is completed within 10 days after the issuance of the order.

Any utility or any governmental agency (such as a housing company) affected by this prohibition against new and converted installations, which considers that the available gas supply is adequate for all existing and estimated future war requirements as well as unrestricted civilian use until April 1, 1944, may apply to the Director of Industry Operations for exemption from this provision.

[fol. 16830] 3. They are prohibited from delivering gas to any new non-residential consumer or increasing delivery to any existing non-residential consumer, unless: (a) such new or existing consumer has installed standby facilities sufficient to replace the new or increased delivery during periods of shut-off; or (b) such new or existing consumer cannot reasonably use any fuel other than gas; or (c) approval shall have been granted in advance by the Director of Industry Operations for delivery to such new or existing

consumer. This provision becomes effective 10 days after the issuance of the order.

The areas subject to the prohibitions just listed are:

Alabama—(except the area served by the United Gas Pipe Line Co.)

Arkansas—(only the area served by the Mississippi River Fuel Co.)

California

District of Columbia

Georgia

Illinois

Indiana

Kentucky

Maryland

Michigan

Mississippi—(except the area served by the United Gas Pipe Line Co.)

Missouri

New York

Ohio

Pennsylvania

Tennessee

Virginia

West Virginia

Other provisions of the order apply to gas companies throughout the country. They become operative only if and when a shortage exists or becomes imminent.

These sections provide:

1. Each utility operating in an area where a shortage exists or is imminent is required, insofar as practical, to integrate its system with other systems, so as to obtain maximum supply of gas.

2. If and when the supply of gas becomes insufficient and reduction to consumers becomes necessary, and in the absence of specific directions by the Director of Industry Operations, the utility supplying such area is required to take the following steps, in the order given:

(a) Reduce deliveries to all dump or surplus consumers not engaged in war production. Dump or surplus consumers are consumers whose gas service is subject to interruption during shortage periods.

(b) Operate as much of its available gas manufacturing equipment as is necessary to relieve the shortage.

[fol. 16831] (c) Reduce deliveries to all firm gas consumers who have standby facilities.

(d) Reduce deliveries to other consumers in such manner as to cause the least interference with war production. All possible measures will be taken before interference with war production is permitted.

• • • • • • • •

[fol. 16834] (Order Enlarging Investigation and Making Illinois Natural Gas Company a Party Respondent.)

United States of America,

Federal Power Commission.

Commissioners) Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

March 26, 1942.

In the Matter of

City of Detroit, Michigan,

and

County of Wayne, Michigan,

Docket No. G-200. vs.

Panhandle Eastern Pipe Line Company

and

Michigan Gas Transmission Corporation.

In the Matter of

Panhandle Eastern Pipe Line Company

and

Michigan Gas Transmission Corporation.

Docket No. G-207.

It appearing to the Commission that:

(a) By order of May 22, 1941, the Commission instituted an investigation in Docket No. G-207, of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation for the purpose of enabling the Commission to determine with respect to each of said companies (1) whether it is a natural-gas company within the meaning of the Natural Gas Act, and (2) whether in connection with any transportation or sale of natural gas subject to the jurisdiction of this Commission, any rates, charges, or classifications demanded, observed, charged, or collected, or any rules, regulations, practices, or contracts affecting such rates, charges, or classifications, are unjust, unreasonable, unduly discriminatory, or preferential;

(b) By order of September 2, 1941, the Commission directed that said proceeding in Docket No. G-207 be consolidated with the complaint proceeding in Docket No. G-200 for the purposes of hearing thereon;

(c) Hearings in the proceeding designated Docket No. G-200 were commenced on July 15, 1941, and hearings in the said consolidated proceedings are now in progress;

[fol. 16835] (d) During said hearings, Panhandle Eastern Pipe Line Company presented evidence showing that its wholly owned subsidiary, Illinois Natural Gas Company, an Illinois corporation, purchases natural gas from Panhandle Eastern Pipe Line Company at several points of delivery in the State of Illinois, and transports said gas in interstate commerce and resells such gas to certain distributing companies located in the State of Illinois which, in turn, resell said gas for ultimate public consumption for domestic, commercial, and industrial use;

(e) The evidence adduced in the hearings respecting the revenues, expenses, costs, return and other data relating to Panhandle Eastern Pipe Line Company has been presented on a consolidated basis for both Panhandle Eastern Pipe Line Company and Illinois Natural Gas Company;

(f) Counsel for Panhandle Eastern Pipe Line Company have stated on the record that Illinois Natural Gas Company is "an operating department or arm of the Panhandle Eastern Pipe Line Company" and that they "are disregarding the separate corporate entity of these two companies in this investigation";

(g) The Supreme Court of the United States, in the October Term, 1941, has held (Illinois Natural Gas Company vs. Central Illinois Public Service Company and Illinois Commerce Commission, opinion dated January 5, 1942) that said Illinois Natural Gas Company engages in interstate commerce in the purchase and sale of natural gas and is a natural-gas company within the meaning of the Natural Gas Act;

(h) The rates, charges, classifications, rules, regulations, practices, or contracts, of Illinois Natural Gas Company, subject to the jurisdiction of this Commission, may be unjust, unreasonable, unduly discriminatory, or preferential;

The Commission orders that:

(A) The investigation instituted by the Commission's order of May 22, 1941, is hereby enlarged to include an investigation of the Illinois Natural Gas Company for the purpose of enabling the Commission:

(1) To determine with respect to said Company whether in connection with any transportation or sale of natural gas subject to the jurisdiction of this Commission, any rates, charges, or classifications demanded, observed, charged, or collected, or any rules, regulations, practices, or contracts affecting such rates, charges, or classifications, are unjust, unreasonable, unduly discriminatory, or preferential; and

[fol. 16836] (2) If the Commission, after hearing has been had, shall find that any of said Company's rates,

charges, classifications, rules, regulations, practices, or contracts, subject to the jurisdiction of this Commission, are unjust, unreasonable, unduly discriminatory, or preferential, to determine and fix by appropriate order or orders, just and reasonable rates, charges, classifications, rules, regulations, practices, or contracts to be thereafter observed and in force;

(B) Illinois Natural Gas Company be and it is hereby made a party respondent to the proceeding designated Docket No. G-207.

By the Commission.

LEON M. FUQUAY,
Secretary.

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* * * * * * * *

[fol. 16839] (Motion of Counsel for Federal Power Commission for Immediate Order Fixing Just and Reasonable Rates.)

(Docketed April 27, 1942, Federal Power Commission.)

City of Detroit, Michigan and County of Wayne, Michigan, Docket No. G-200 100-2. vs.
Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

In the Matter of

Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company:

Docket No. G-207.

Comes now Harry S. Littman, Counsel, for the Federal Power Commission, in the above-entitled cause, who respectfully represents that:

1. On February 28, 1941, a petition was filed by the City of Detroit and the County of Wayne, Michigan, in Docket No. G-200, alleging, among other matters, that Panhandle Eastern Pipe Line Company[1] sells natural gas to

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[1] Hereinafter sometimes referred to as "Panhandle Eastern".

the Michigan Consolidated Gas Company for resale in the City of Detroit and County of Wayne, Michigan; that such gas is produced in the States of Texas and Kansas and is transported to a point of delivery near the City of Detroit; that such gas is transported from a point on the Indiana-Illinois boundary line to a point at or near the City of Detroit by Michigan Gas Transmission Corporation[2] for the account of Panhandle Eastern, for which transportation Panhandle Eastern pays its affiliate, Michigan Gas, an excessive rate or charge; that the rates and charges demanded and collected by Panhandle Eastern from Michigan Con- [fol. 16840] solidated Gas Company are unjust, unreasonable, and unduly discriminatory; and praying that the Commission, after investigation, fix and determine the just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale of natural gas for resale in said City and County.

2. On March 28, 1941, Michigan Gas filed an answer denying that any of its charges in connection with the sale or delivery of gas to Michigan Consolidated Gas Company are excessive, unjust or unreasonable; and on April 3, 1941, Panhandle Eastern filed an answer to the said petition denying that its rates are unjust, unreasonable or discriminatory.

3. By order of May 22, 1941, the Commission on its own motion instituted an investigation, in Docket No. G-207, for the purpose of enabling the Commission to determine whether, in connection with any transportation or sale of natural gas subject to the jurisdiction of the Commission, the rates and charges of Panhandle Eastern and Michigan Gas are unjust, unreasonable, unduly discriminatory, or preferential, and, if so, to fix by appropriate order or orders just and reasonable rates or charges.

4. By order of June 10, 1941, the Commission permitted the Michigan Public Service Commission to become an intervener in the complaint proceeding designated Docket No. G-200; and by order of July 12, 1941, the Commission permitted Michigan Consolidated Gas Company to become an intervener and a party to said proceeding.

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[2]Hereinafter sometimes referred to as "Michigan Gas".

5. On September 2, 1941, the Commission directed that the proceeding in Docket No. G-207 be consolidated with the complaint proceeding in Docket No. G-200 for purposes of hearing.

6. On March 26, 1942, the Commission ordered that the investigation, instituted by the Commission's order of May [fol. 16841] 22, 1941, be enlarged to include an investigation of the rates and charges of Illinois Natural Gas Company[1], a wholly-owned subsidiary of Panhandle Eastern, and making said Illinois Natural Gas Company a party respondent to the proceeding designated Docket No. G-207.

7. Hearings were commenced on July 15, 1941, and have continued for approximately 84 days during which a total of approximately 10,700 pages of testimony has been adduced and 27 witnesses have appeared who offered approximately 260 exhibits.

8. From a consideration of all the evidence it appears that:

I. Rate Base

(a) The cost of plant, as claimed by the respondents, at December 31, 1941, is $82,952,156.82, as follows:

Claimed Cost of Plant[2]

Panhandle Eastern	$66,541,913
Illinois Natural	3,108,120
Michigan Gas	12,664,841
Indiana Gas	197,957
Pipe Line Purchased	439,326
Total (Exh. 194)	$82,952,157

(b) Included in the said claimed cost of plant is the amount of $2,910,734 of construction work in progress, which should properly be deducted from said total claimed cost in arriving at the original cost of plant in service at December 31, 1941.

[fol. 16842] (c) Included in the said claimed cost of plant of Panhandle Eastern is the purported unamortized cost

[1]Sometimes hereinafter referred to as "Illinois Natural".

[2]Giving effect to financing transactions consummated on February 6, 1942 and the acquisition on that date of capital stock and debt of Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation (herein sometimes referred to as "Indiana Gas") and purchase of a pipe line of Ohio Fuel Gas Company.

of "Gas Sales and Purchase Contracts" in the amount of $1,172,115; and the evidence shows that the said sum of $1,172,115 does not represent actual cost but it is in fact a write-up and should properly be eliminated from the said claimed cost of plant in arriving at original cost of plant in service at December 31, 1941.

(d) Included in the said claimed cost of plant are "Contributions in Aid of Construction" totaling $55,016, which should properly be deducted in arriving at the original cost of plant in service as of December 31, 1941.

(e) The original cost of plant in service at December 31, 1941, reflecting the deductions and eliminations set forth in paragraphs (b), (c) and (d) above, is not more than $78,814,292, as here shown:

Cost of Plant in Service

Panhandle Eastern	$62,665,568
Illinois Natural	2,871,194
Michigan Gas	12,643,847
Indiana Gas	194,357
	78,374,966
Pipe Line Purchased from Ohio Fuel Gas Co. subsequent to December 31, 1941	439,326
Total	$78,814,292

(f) The respondents[1] have accumulated reserves for depreciation, depletion and amortization, as of December 31, 1941, in the amount of $12,596,987, as follows (Exh. 194):

[fol. 16843] Reserves for Depreciation, Depletion and Amortization.

Panhandle Eastern	$10,405,047
Illinois Natural	502,976
Michigan Gas	1,661,966
Indiana Gas	26,998
Total	$12,596,987

[1]Panhandle Eastern, Michigan Gas and Illinois Natural are hereinafter sometimes referred to collectively as "respondents".

The evidence shows that the said reserves, totaling $12,-596,987 represent the accrued depreciation, depletion and amortization of the plant in service, as of December 31, 1941; and the said amount is deducted from the aforesaid cost of plant to arrive at the rate base for purposes of this motion.

(g) The evidence shows that the allowable working capital is not in excess of $920,000, as follows:

Working Capital

Panhandle Eastern	$726,000
Illinois Natural	17,000
Michigan Gas	173,000
Indiana Gas	4,000
Total (Exh. 221)	$920,000

(h) Based upon paragraph (a) to (g) above, the rate base, i. e., original cost, less accrued depreciation, plus working capital, is not in excess of $67,137,305, as here shown:

Rate Base

Cost of Gas Plant in Service at December 31, 1941	$78,814,292
Less:	
Depreciation Reserves	12,596,987
Net Original Cost	$66,217,305
Working Capital	920,000
Rate Base	$67,137,305

[fol. 16844] II. Gross Operating Revenue

The consolidated gross operating revenue of the respondents for the year 1941 amounted to $17,789,573 (Exh. 195).

III. Operating Expenses

(a) The consolidated operating expenses, as shown by the respondents' exhibits, for the year 1941, were as follows:

Operation and Maintenance	$2,648,694
Gas Purchased[1]	1,180,918
Depreciation, Depletion and Amortization	2,473,383
Amortization—Gas Contracts	332,143
Taxes—Federal Income[2]	2,063,175
Taxes—Federal Excess Profits[2]	1,677,054
Taxes—Property and Miscl.	901,387
Total (Exh. 195)	$11,276,754

(b) Included in said operating expenses is the sum of $293,029 charged annually for the purpose of amortizing "Gas Sales and Purchase Contracts"; the evidence shows that the purported unamortized cost of such contracts in the amount of $1,172,115, as of December 31, 1941, does not represent actual cost but is in fact a write up; and the said expense of $293,029 should be eliminated from operating expense.

(c) Said total operating expenses include the sum of $6,000 charged for rate case expense, which amount should be eliminated from operating expenses for purposes of this proceeding.

[fol. 16845] (d) The Federal income taxes should be reduced from $2,063,175 to $942,951, and the Federal excess profits taxes should be entirely eliminated in order to reflect the tax savings due to the indicated reduction in gross revenue hereinafter shown.

(e) The sum of the deductions set forth in paragraphs (b), (c) and (d) above total $3,096,307, leaving $8,180,447 as the maximum allowable operating expenses, as follows:

Operation and Maintenance	$2,642,694
Gas Purchased	1,180,918
Depreciation, Depletion and Amortization	2,473,383
Amortization—Gas Contracts	39,114
Taxes—Federal Income	942,951
Taxes—Property and Miscl.	901,387
Total (as adjusted)	$8,180,447

[1] Inter-company gas purchases eliminated.

[2] Includes charges in lieu of Federal Income and Excess Profits Taxes in the amount of $823,881. Does not include pro-forma adjustments.

IV. Return

(a) The amount available for return after operating expenses and taxes, as adjusted in III, above, is $9,609,126, as follows:

Gross Operating Revenue	$17,789,573
Operating Expenses (as adjusted)	8,180,447
Net Operating Revenue	$ 9,609,126

(b) A fair rate of return for respondents is not more than 6 per cent, or $4,028,238 upon the rate base of $67,137,-305.

(c) The gross revenue of respondents, therefore, exceeds a fair return by not less than $5,580,888 as follows:

Net Operating Revenue	$9,609,126
Return at 6%	4,028,238
Excess of Revenue Above 6% Return	$5,580,888

[fol. 16846] (d) During the five years 1937 to 1941, inclusive, Panhandle Eastern and subsidiary companies earned an average return of not less than 10.64% on their average net investment in plant of $53,997,936 (Exh. 222-A).

(e) During the period March 1, 1936, to December 31, 1941, Michigan Gas earned an average return of not less than 8½% on its average net investment in plant of $9,134,-568 (Exh. 232).

9. The evidence now clearly establishes that the present rates charged and collected by the respondents are unjust and unreasonable.

10. The respondents have had a full and complete hearing; and counsel for the respondents have stated that their case on direct had been completed (T. 10651).

11. In order to aid the regulatory agencies in the States of Michigan, Ohio, Indiana, Illinois, Missouri and Kansas in fixing fair and reasonable rates for gas sold to ultimate consumers in said States, it is necessary that an immediate order be entered reducing the rates and charges of the respondents.

12. Nothing herein contained is to be taken as an admission of the accuracy or propriety of any of the claims made by the respondents or their witnesses.

Wherefore, Commission Counsel prays that the Commission enter an immediate interim order fixing just and reasonable rates for gas sold and transported by the respondents, Panhandle Eastern Pipe Line Company, Illi- [fol. 16847] nois Natural Gas Company and Michigan Gas Transmission Corporation.

HARRY S. LITTMAN,
Counsel for Federal Power Commission.

[fol. 16848] Certificate of Service.

I hereby certify that today I have served copies of the attached motion on all parties to this proceeding by personally serving such copies on their respective counsel of record.

Dated: Washington, D. C. This 23rd day of April, 1942.

HARRY S. LITTMANN.

[fol. 16849] (Motion of Michigan Consolidated Gas Company for immediate Order reducing Rates.)

Before the
Federal Power Commission.

Docket No. G-200. Docket No. G-207

City of Detroit and County of Wayne, Municipal Corporations, Complainants,
vs.
Panhandle Eastern Pipe Line Company, and Michigan Gas Transmission Corporation, Defendants.

Michigan Consolidated Gas Company, Intervenor.

To the Honorable Members of the Federal Power Commission:

Comes now Michigan Consolidated Gas Company, intervenor in the above-entitled matter and moves the Commission to enter an interim order at this time finding that the rates and charges now made by Panhandle Eastern

[fol. 16850] Pipe Line Company and Michigan Gas Transmission Corporation are unreasonable and excessive and that as a result thereof these corporations, now in common ownership and management, are receiving and collecting annually the sum of not less than five million dollars in excess of the amount of a fair return; that said rates and charges as presently filed and maintained are unjustly discriminatory as against the intervenor and its customers in the Detroit area, as well as with respect to the various classes of service rendered and the localities in which they are rendered; and that by reason thereof the intervenor and the gas consumers to whom it distributes natural gas are suffering undue discrimination, prejudice and disadvantage; and ordering that the said Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation immediately file with the Commission rate schedules under which the gross revenues to be derived by them from the transportation and sale of natural gas for resale for public consumption (other than that sold for industrial use, directly as well as indirectly under special industrial contracts) be reduced by the amount of five million dollars per year, in which said schedules the rates for natural gas delivered to intervenor for resale and distribution be made uniform with all others, or in any event not higher than the average rate charged by respondents for similar service to all others.

As grounds for such finding and the entry of the order as above requested, intervenor states that the uncontradicted evidence introduced and received in these proceedings, up to and including this date, including the evidence introduced by respondents, viewed and construed in its most favorable light to such respondents, establishes the fact that the respondents are each maintaining rates and charges for the sale of natural gas for resale for ultimate public consumption which are excessive, unreasonable, unjust and unduly discriminatory and that intervenor and [fol. 16851] all of its natural gas consumers are suffering undue prejudice and disadvantage thereby, and that the gross revenues now being collected by these respondents under their rate schedules now in force for such natural gas service are more than five million dollars per annum in excess of the amount of a just and fair return for such

service. Such undisputed evidence further conclusively establishes that the rate schedules now in force covering natural gas sold and delivered to intervenor for resale in its area of distribution are unduly discriminatory, based upon the rates charged others both in respect to the class of services rendered and as to localities.

Intervenor has in course of preparation studies containing statistical data and accounting analyses and will on or before Tuesday, April 28, 1942, file with the Commission by way of a supplement hereto, such studies, data and analyses with necessary descriptive text and personally serve upon counsel on that date (or by mailing not later than Monday, April 27, 1942).

Dated this 23rd day of April, 1942.

Respectfully submitted,

MICHIGAN CONSOLIDATED GAS COMPANY,

By Park Chamberlain,
815 Fifteenth St. N. W.
Washington, D. C.

Henry A. Montgomery,
1553 Penobscot Building,
Detroit, Michigan.

A. V. McRee,
415 Clifford Street,
Detroit, Michigan.

Its Attorneys.

[fol. 16853] (Motion of City of Detroit and County of Wayne for immediate order reducing Rates.)

The City of Detroit, and the County of Wayne, complainants jointly, move that this commission make and enter an order forthwith finding and declaring that the existing rates and divisions thereof maintained by the defendant companies affecting the rates applicable to customers in the district or territory of complainants purchasing natural gas for resale for ultimate public consumption, be held and declared to be unjust and unreasonable, and altering and fixing the just and reasonable rates, charges, classifications, rules, regulations or contracts to be observed and in

force to said customers, and determining and fixing such other rates, charges, classifications, rules, regulations or [fol. 16854] contracts to be observed by defendants as are involved in or incidental thereto.

The grounds of this motion are as follows:

1. The parties hereto are about to complete and conclude a full hearing upon all the issues in controversy; adequate evidence has been adduced for the determination of all substantial issues, from which it appears that the existing rates affecting the interest of complainants are very greatly in excess of just and reasonable rates, and, as such, are unlawful, and from which just and reasonable rates may be fixed forthwith pending such further investigation as may be made by the commission.

2. The average property in service in 1941, allowing $750,000 for working capital and current assets, was $78,555,077. It is conceded by the company's president that the gas fields will last for thirty more years at an average annual withdrawal of 80 billions cubic feet. The enterprise has been in operation for over nine years and its principal market, the Detroit district, has been served five and one-half years. The annual requirement to yield 6% upon the unamortized cost as the same declines, and to provide amortization or depreciation upon a thirty-five year life basis is 6.9% of cost. The effect of a somewhat shorter or a somewhat longer general service life is insignificant; thus the requirement for return and depreciation to yield 6% on declining value, cost basis, is 7%; on a thirty-three year life basis.

Exhibit A hereto attached indicates a calculated requirement for return and depreciation of $5,492,548, to afford a return of 6%. This is 7% of plant cost and working capi- [fol. 16855] tal. The reasonable requirement for return is a rate of 6%, and based upon present value, cost basis, amounts to $4,322,825.

The requirement for depreciation and replacements does not exceed $1,169,723.

The requirement for Federal income tax upon an income of $4,322,825 in consideration of the deductions avail-

able for tax purposes of depreciation and interest paid does not exceed $765,547.

The operating income before Federal taxes and depreciation is $13,058,574; and this realization against a requirement for depreciation and Federal income taxes makes available for rate reduction at least $6,800,479.

The above facts are set forth in further tabulated detail in Exhibit A hereto attached and made a part hereof.

Ample evidence has been presented to establish said facts and to determine all reasonable controverted issues in respect thereto.

The rate reductions in prospect amount to $18,800 per day. In view of the magnitude thereof and the clarity with which the evidence indicates that such reductions are available they should not be deferred for further investigation and research, the probable effect of which would be to enhance them.

3. A hearing is pending before the Michigan Public Service Commission designed to enforce the maximum rate reduction to consumers in the Detroit district, resale customers of Michigan Consolidated Gas Company, and including the object of requiring any reductions obtained in [fol. 16856] this proceeding to be made immediately available to such customers. Said hearing is continued pending the order of the Federal Power Commission in the premises.

WILLIAM E. DOWLING,
Prosecuting Attorney-Wayne County, Michigan.

HAROLD GOODMAN,
Special Assistant Prosecuting Attorney.

PAUL E. KRAUSE,
Corporation Counsel-City of Detroit.

JAMES H. LEE,
Assistant Corporation Counsel.

[fol. 16857] Exhibit A

Available Rate Reduction
Panhandle Eastern Pipe Line Company
1941

1	Cost of gas plant (excluding construction in progress and unamortized portion of $2,930,000 gas sales and purchase contracts) Average during year 1	—	$77,805,077
2	Accrued depreciation	—	6,507,994
3	Value of average plant	—	71,297,083
4	Materials, supplies, and working capital	—	750,000
5	Property in service	—	72,047,083
6	6% Return requirement	—	4,322,825
7	Federal income tax requirement	—	765,547
8	Requirement for depreciation and retirement	—	1,169,723
9	Total lines 6, 7 and 8	—	6,258,095
10	Available for depreciation, Federal income taxes and profit (Ex. 196)	—	13,058,574
11.	Available for rate reduction	—	6,800,479

1. Based upon approximation equivalent to expiration of 9 1/2 years of 35 year life and consideration of salvages as follows:

(Ex. 66A)	Panhandle E. Gas Co.	8,201,258
(Ex. 86)	Mich. Gas Trans. adjusted to 15% on mains and 5% on compressor sta. eq.	1,791,029

In view of a future life expectancy of 30 years, at an output of 80 billion cu. ft. per year (Creveling Ex. 218) and the fact that some items may be retired in advance of others, both the accrued depreciation and the present re- [fol. 16858] quirement are approximated as substantially equivalent to a property having a thirty-five year life of which eight and one-half years have expired. The overall effect of this approximation is to allow rates more liberal to the company than closer calculation will justify. The current annual allowance is increased by $200,000 as an excessively liberal allowance for replacement in view of Ex. 193.

[fol. 16859] State of Michigan,
County of Wayne.—ss.

Harold Goodman, being duly sworn, deposes and says that he prepared the foregoing motion by him subscribed and knows the contents thereof, and that the same are true according to his best knowledge and belief.

HAROLD GOODMAN.

Subscribed and sworn to before me this 20th day of April, 1942.

(Seal)

BEATRICE BROWN,
Notary Public Wayne County, Michigan.

My commission expires May 21, 1944.

[fol. 16860] (Amendment to Motion of Michigan Consolidated Gas Company for Order reducing Rates.)

(Received April 28, 1942, Federal Power Commission.)

To the Honorable Members of the Federal Power Commission:

Michigan Consolidated Gas Company, by leave of the trial examiner and consent of counsel for the parties hereto (Transcript p. 10752), amends and supplements its motion for an interim order finding the present rates and charges of Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation to be unreason- [fol. 16861] able, excessive and unduly discriminatory as follows:

It attaches hereto a series of studies containing statistical data and accounting analyses based upon evidence and exhibits filed in the hearings in Dockets G-200 and G-207, together with those facts readily and indisputably deducible therefrom, which conclusively show that the rates and charges of the respondents are excessive and unreasonable in that they produce for respondents an aggregate amount of gross revenue not less than $5,489,874.00 per annum in excess of the amount necessary to provide a fair return.

It states that in the preparation of these studies and analyses it has acted upon and used the evidence offered by the respondents themselves, and such other evidence received as remains uncontradicted. It does not concede

the correctness of the facts, theories, philosophy or conclusions of the witnesses and the exhibits presented by respondents but, for purposes of this motion, attempts to interpret them in the most favorable light to respondents. It has used the evidence and exhibits tendered by respondents and, with such few adjustments as are noted, necessary to square with reality, it has determined the minimum reduction in rates and charges required to reduce the gross revenues of respondents to a point which will eliminate the excess return. These studies and analyses are not offered as reflecting the reduction which would be necessary should it be deemed appropriate to reduce the return to a point [fol. 16862] barely above confiscation, nor has it included in its computation many pertinent factors, other than those noted, which upon a complete accounting study would undoubtedly necessitate further substantial reductions.

As a typical illustration intervenor uses, in the first instance, in its computations the sum of $681,680.82 which the witness Biddison testified would be a necessary annual operating expense throughout the life of the enterprise to provide for replacements (Ex. 68-A) to reflect the method proposed by respondents for providing amortization, depreciation and depletion of their plants and properties, in the most favorable light to respondents. Evidence in the record shows it to have been excessive beyond reason with respect to transmission mains and compressor station equipment, and a later adjustment is made in these studies which brings the estimate somewhere within the realm of reality.

The test is made from the standpoint of two separate corporate entities (natural gas utilities) as they existed at the time of the initiation of this inquiry. The fair return to which each is entitled is measured by a fair and reasonable charge against the public for the operation and use of property in public service. Changes in intercorporate relationship or in the ownership of property dedicated to public service add nothing to the value of that service. No recognition is given to the claim that the cost of utility service to the public can be increased because of increased income taxes incurred by a utility in its own interest,

[fol. 16863] wholly unrelated to the cost of performing utility service. On the contrary there has been omitted for lack of proper figures, the economies publicly prophesied and admittedly possible through joint operation of the two utilities.

The sum of the two returns indicated would be a maximum return for the joint properties and it is obvious that if the properties are to be treated separately and the rate schedules to be filed by Panhandle Eastern Pipe Line Company give a lessened cost of operation to Michigan Gas Transmission Corporation, the excess return of that company as herein shown would be increased by the amount of such lessened operating expense.

Since the volume of unregulated business (direct industrial sales) is insignificant, and the evidence conclusively shows that respondent Panhandle Eastern Pipe Line Company has at all times maintained and constructed full capacity for the transportation of such direct industrial sales and contemplates continuance of construction to provide the capacity for future sales (Exhibits 40 and 47), any allocation has been disregarded and could avail respondents nothing. And since a new schedule of rates, inevitable under the record, may eliminate the discrimination in present rates and charges, such studies will be left to the brief.

Dated this 27th day of April, 1942.

[fol. 16864] Respectfully submitted,

MICHIGAN CONSOLIDATED GAS COMPANY.

By Park Chamberlain,
815 Fifteenth St. N. W.
Washington, D. C.

Henry A. Montgomery,
1553 Penobscot Building
Detroit, Michigan.

A. V. McRee,
415 Clifford Street,
Detroit, Michigan.
Its Attorneys.

[fol. 16865]

Panhandle Eastern Pipe Line Company
and
Michigan Gas Transmission Corporation

Excess Return for Year 1941
and
Reduction in Gross Revenues Required to Eliminate Excess Return

	Panhandle	Mich. Gas Trans. Corp.	Total
1. Average Utility Plant for Year 1941	$65,165,629	$12,550,119	$77,715,748
2. Working Capital	713,345	162,647	875,992
3. Rate Base	$65,878,974	$12,712,766	$78,591,740
4. Return Allowable at 6 1/2%	$ 4,282,133	$ 826,330	$ 5,108,463
5. Return Earned for Year 1941	6,363,417	1,120,091	7,483,508
6. Excess Return	$ 2,081,284	$ 293,761	$ 2,375,045
7. Reduction in Gross Revenues Required to Eliminate Excess Return Before Adjustment of Claim for Replacements	$ 4,437,368	$ 472,796	$ 4,910,164
8. Additional Reduction in Gross Revenues Required by Adjustment Downward of $400,000 in Claim Made for Replacements (Exhibit 48-A)	579,710	—	579,710
9. Reduction in Gross Revenues Required to Eliminate Excess Return	$ 5,017,078	$ 472,796	$ 5,489,874

[fol. 16866]

Panhandle Eastern Pipe Line Company
And Subsidiary Company

Excess Return For Year 1941
(Before Adjustment of Claim for Replacements)

	6% Return
1. Average Utility Plant for Year 1941	$65,165,629
2. Working Capital	713,345
3. Rate Base	$65,878,974

4.	Return Allowable	$ 4,282,133
5.	Return Earned for Year 1941 as Adjusted	6,363,417
6.	Excess Return	$ 2,081,284
7.	Reduction in Gross Revenues Required to Eliminate Excess Return	$4,437,368

[fol. 16867]

Panhandle Eastern Pipe Line Company
And Subsidiary Companies

Rate Base For Year 1941

Utility Plant		
December 31, 1940 —		
Total Gas Plant Classified	$64,380,427.86	
(Exhibit 176, page 2, line 38, Column L)		
Other Gas Sales and Purchase Contracts	372,006.38	$64,752,434.24
(Exhibit 176, page 2, line 44, column L)		
December 31, 1941 —		
Total Gas Plant Classified	$65,225,927.15	
(Exhibit 176, page 2, line 38, column M)		
Other Gas Sales and Purchase Contracts	352,897.28	65,578,824.43
(Exhibit 176, page 2, line 44, column M)		
Average for Year 1941		$65,165,629
Working Capital		
Funds for Operating Expenses		
1941 Operation and Maintenance expenses	$3,392,827.05	
(Exhibit 173, page 1, line 9, column M)		
Less cost of natural gas purchased	1,180,917.63	
(Exhibit 190, page 1, line 36, column C)	$2,211,909.42	
1.5 months/12 months		$ 276,572
Prepayments		
June 30, 1941 (Exhibit 48, page 1, line 14, column M)	$ 135,113.86	
Dec. 31, 1941 (Exhibit 172, page 1, line 14, column M)	94,732.18	
Average		114,923
Materials and Supplies		
June 30, 1941 (Exhibit 48, page 1, line 13, column M)	$ 268,861.88	
Dec. 31, 1941 (Exhibit 172, page 1, line 13, column M)	374,839.09	
Average		321,850
		$ 713,345
Rate Base		$65,878,974

Panhandle Eastern Pipe Line Company
And Subsidiary Companies

Income Statement — Year 1941

Line		Year 1941 Per Exhibit 173 Column M	Adjustments See attached	1941 Income Statement Adjusted
1	Income			
2	Operating Revenues			
3	Gas	$14,688,263.44	$ —	$14,688,263.44
4	Gasoline	735,077.94	—	735,077.94
5	Pipe Line Rentals	—	—	—
6	Miscellaneous	11,515.35	—	11,515.35
7	Total Operating Revenues	$15,434,856.73	$ —	$15,434,856.73
8	Operating Revenue Deductions			
9	Operation and Maintenance Expenses	$ 3,392,827.05	$269,600.00 *(1)	$ 3,662,427.05
10	Depreciation (Including Amortization)	1,937,994.80)		
11	Amortization and Depletion of Producing	)		
12	Natural Gas Land and Land Rights	90,177.06)		
13	Abandoned Leases	74,685.45)	*978,302.20 (2)	1,456,697.80
14	Amortization of Other Limited Term	)		
15	Gas Investments	332,142.69)		
16	Charges in Lieu of Federal Income and			
17	Excess Profits Taxes (see note)	823,881.49	—	823,881.49
18	Taxes			
19	State, Local and Miscellaneous			
20	Federal	733,622.93	—	733,622.93
21	Federal Income	1,690,000.00	*33,430.40 (3)	1,656,569.60
22	Federal Excess Profits	900,000.00	*161,760.00 (4)	738,240.00
23	Total Revenue Deductions	$ 9,975,331.47	$*903,892.60	$ 9,071,438.87
24	Net Operating Revenue	$ 5,459,525.26	$903,892.60	$ 6,363,417.86
25	Other Income			
26	Interest Revenues	$ 18,541.89	$ —	$ 18,541.89
27	Miscellaneous Non-Operating Revenues	—	—	—
28	Total Other Income	$ 18,541.89	$ —	$ 18,541.89
29	Gross Income	$ 5,478,067.15	$903,892.60	$ 6,381,959.75
30	Income Deductions			
31	Interest on Long-Term Debt	$ 651,903.65	$ —	$ 651,903.65
32	Amortization of Debt Discount and			
33	Expense	27,486.70	$ —	$ 27,486.70
34	Other interest charges	5,958.57	—	5,958.57
35	Interest Charged to Construction	*11,774.51	—	*11,774.51
36	Total Income Deductions	$ 673,574.41	$ —	$ 673,574.41
37	Net Income	$ 4,804,492.74	$903,892.60	$ 5,708,385.34

Note: Charges in lieu of Federal income and excess profits taxes represent an amount equivalent to taxes which would have been payable on current earnings if the company had not had the benefit for tax purposes of deductions for discount, premium and expense resulting from the refinancing of long-term debt.

*Indicates red figures.

[fol. 16869]

Panhandle Eastern Pipe Line Company

Adjustments to 1941 Income Statement for Changes in Operating Expenses during 1941 not fully effective for entire calendar year 1941

*(1) **Operation and Maintenance Expenses**

(a) Payroll increases to field employees of Panhandle Eastern Pipe Line Company and Illinois Natural Gas Company May 1 and July 1, 1941		
Total annual increases	$ 22,800	
Included in 1941 expenses	14,600	$ 8,200
(Exhibit 247, line 4)		
(b) Change of hours of work week of field employees of Panhandle Eastern Pipe Line Company and Illinois Natural Gas Company		
Increase in annual expense	$92,400	
Included in 1941 expenses	38,500	
(Exhibit 247, line 13)		$ 53,900
(c) Emergency property protection for Panhandle Eastern Pipe Line Company		
Annual Expense	$156,000	
Included in 1941 expenses	6,500	$ 149,500
(Exhibit 247, line 18)		
(d) Rate Case Expense.		
Estimated total cost of rate case expenses in dockets G200 and G207 for Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation (Exhibit 250)	$350,000	
Estimated portion for Michigan Gas Transmission Corporation based on monthly rate of write-off of $1,000 for 60 months	$ 60,000	
(Exhibit 163, page 21A, line 42)		
Balance applicable to Panhandle Eastern Pipe Line Company	$290,000	
Annual rate of amortization on 5-year basis	$ 58,000	
Included in 1941 expenses of Panhandle	0	$ 58,000
		$269,600

*(2) **Adjustment of Charge for Depreciation, Depletion, and Amortization of Gas Contracts as Included in 1941 Income Statement to a Basis for Amortization of Investment, depletion, and Replacement**

Annual requirement for amortization of investment, depletion and replacements — amortization of investment on a 6½% sinking fund basis (Exhibit 66A recalculated from 2½% basis to 6½% with provision for amortizing investment added 6/30/41 to 12/31/41. See attached)	$913,292.92	
[fol. 16870] Less—Improper inclusion in 66A for amortization of gas sales and purchase contracts included in above figure on a 10 year straight life basis	$293,028.64	
Annual amount for amortization of investment	$620,264.28	
Depletion for 1941 at rates in exhibit 67 (see attached)	154,753.52	
Provision for replacements per exhibit 68A	681,680.00	$1,456,697.80
Deductions per 1941 books from Exhibit 173 Line 10—Depreciation (Including Amortization)	$1,937,994.80	
Lines 11 & 12—Amortization and Depletion of Producing Natural Gas Land and Land Rights	90,177.06	
Line 13—Abandoned Leases	74,685.45	
Lines 14 & 15—Amortization of Other Limited Term Gas Investments	332,142.69	2,435,000.00
Reduce charges included in 1941 income statement by		$ *978,302.20

*(3) Federal Income Tax		
12.4% of $269,600 (*(1) above)		$ *33,430.40
(*(2) above does not affect taxable income)		
*(4) Federal Excess Profits Tax		$*161,760.00
60% of $269,600 (*(1) above)		

*Indicates red figures.

[fol. 16871] Panhandle Eastern Pipe Line Company

Amortization Of Investment

Annual Deduction From Revenues Which Will Return That Portion Of Stated Book Cost Of Property Not Recoverable Upon The Expiration Of The Useful Life Of The Project Through Salvage, Accruals For Depletion Or Accruals For Replacements

Biddison's requirement for "annual accrual for Property as of June 30, 1941" on 2 1/2% sinking fund basis as set out in Exhibit 66A		\$1,468,597.76
Biddison's figures in Exhibit 66A computed on a 6 1/2% sinking fund basis		\$ 902,413.43(a)
Increase in property, recoverable through amortization, which was added from 6/30/41 to 12/31/41 (see attached)	\$591,340.78(b)	
Factor at 6 1/2% interest compounded annually which will recover investment in 24 years	1.8398	
Annual requirement to recover increase in investment added 6/30/41 to 12/31/41		10,879.49
		\$ 913,292.92

[fol. 16872]

Michigan Consolidated Gas Company

Panhandle Eastern Pipe Line Company And Subsidiary Companies
Annual Accrual Rate For Amortization Of Property
As Of June 30, 1941

Biddison's Exhibit 66A, admitted March 3, 1942, recalculated from a 2 1/2% to a 6 1/2% interest basis compounded annually.

Year	Property at End of Year	Subject to Amortization	Annual Accrual	Interest Term to Dec. 31, 1941	Cumulative Interest Factor to Dec. 31, 1942	Cumulative Amount at Dec. 31, 1942
(A)	(B)*	(BB)	(C)	(D)	(E)	(F)
1931	$13,409,544 31	$ 2,930,286 40	$293,028 64		Straight line	
					10 yrs.	$2,930,286 40
	41,815,781 37	30,116,519 65	277,302 72	10	13.4944	3,742,033 83
1932	45,621,674 44	560,034 64	5,808 18	9	11 7319	68,140 99
1933	45,488,440 67	101,700 99	1,304 70	8	10 0769	13,147 33
1934	45,648,083 45	105,398 30	1,146 82	7	8 5229	9,774 23
1935	45,494,592 04	8,061 92	131 01	6	7 0637	925 42
1936	371,076 00	358,658 20	23,910 67		Straight line	
					15 yrs.	119,553 34
	49,317,360 59	3,483,193 40	46,327 79	5	5 6936	263,771 91
1937	61,360,851 55	11,961,709 52	162,602 02	4	4 4072	716,619 62
			*8,265 88	4	4 4072	*33,429 39
1938	401,443 07	6,676 79	445 12		Straight line	
					15 yrs.	1,335 36
	61,681,621 62	431,086 57	6,739 29	3	3 1992	21,560 34
1939	62,542,548 57	183,337 95	3,568 69	2	2 0650	7,369 34
1940	67,682,720 64	4,347,148 55	74,405 88	1	1 0000	74,405 88
1941	67,917,770 05	649,472 16	13,957 78	0		
		$55,243,285 04	$902,413 43			$7,932,494 60

Annual deduction from revenues which will return that portion of stated book cost of property not recoverable upon expiration of the useful life of the project through salvage, accruals for depletion or accruals for replacements:

Set aside for amortization of property on a sinking fund basis earning 6.5% interest compounded annually	$ 585,029 00
Set aside for amortization of property on a straight line basis	317,384 43
	$ 902,413 43

*Exclusive of construction work in progress, credits for reserves for gas sales and purchase contracts and consolidation reduction in investment in subsidiary company.

*Indicates red figures.

[fol. 16873] Panhandle Eastern Pipe Line Company

Year 1941

Annual Accrual For Amortization Of Property At June 30, 1941

Annual Accrual per Exhibit 66A at 2 1/2% compound interest	$ 1,468,597 76
Similar figure with 6 1/2% interest compounded annually	902,413 43

Annual Accrual For Amortization Of Property Added 6/30/41 To 12/31/41

	June 30, 1941	Dec. 31, 1941
Total gas plant (Exh. 52, p.2, 1.47)	$66,689,669 57	
Add — reserve for amortization of gas sales and purchase contracts (Exh. 52, p.2, 1.42)	1,611,657 30	
	$68,301,326 87	
Less — Work in progress (Exh. 52, p.2, 1.39)	383,556 82	
Property at June 30, 1941 per Exh. 66A	$67,917,770 05	
Total gas plant (Exh. 176, p.2, 1.47)		$69,650,032 63
Add — Reserve for amortization of gas sales and purchase contracts (Exh. 176, p.2, 1.42)		1,758,171 00
		$71,408,204 23
Less — Work in progress (Exh. 176, p.2, 1.39)		2,899,093 40
Corresponding figure for Dec. 31, 1941 to figure in 66A		$68,509,110 83
Increase in property to be recovered through amortization June 30 — Dec. 31, 1942		$ 591,340 78
Factor at 6 1/2% compound interest for recovery in 24 years		1 8398
Annual requirement to amortize net additions June 30 — Dec. 31, 1942 in 24 years		$ 10,879 49

[fol. 16874] Panhandle Eastern Pipe Line Company

Depletion

Provision made on books in 1941 —

Exh. 173, line 12, col. M	$90,177 06	
MCF at .3¢		30,059,020 MCF

Gas produced in 1941 as shown on Exhibit 177 —

Amarillo	22,708,705 MCF	
Hugoton	7,317,038 "	
Other	33,278 "	30,059,021 MCF

Application of Biddison's Rates Set Out in Exhibit 67

Panhandle field	22,708,705 MCF	@ .5162¢		$117,222.34
Hugoton	" 7,317,038	" @ .5106		37,360.80
Other	33,278	" @ .5120 *(1)		170.38
				$154,753.52

*(1) Price for consolidated fields.

Replacements

Amount per Exhibit 68A	$681,680

*Indicates red figures.

[fol. 16875] Michigan Gas Transmission Corporation

Excess Return For Year 1941

		6 1/2% Return
1.	Average Utility Plant for Year 1941	$12,550,119
2.	Working Capital	162,647
3.	Rate Base	$12,712,766
4.	Return Allowable	$ 826,330
5.	Return Earned for 1941 as Adjusted	$ 1,120,091
6.	Excess Return (5 minus 4)	$ 293,761
7.	Reduction in Gross Revenues required to eliminate excess return	$ 472,796

[fol. 16876]

Michigan Gas Transmission Corporation

Rate Base For Year 1941

Utility Plant			
Utility Plant at December 31, 1940 (Exhibit 88, page 1)	$12,295,896.99		
Utility Plant at December 31, 1941 (Exhibit 163, page 1, line 1)	12,804,341.16		
Average for year 1941			$12,550,119
Working Capital			
Funds for Operating Expenses			
Total operating expenses for 1941 (Exhibit 163, page 3, line 53)	$ 3,614,865.37		
Total maintenance expenses (Exhibit 163, page 3, line 54)	52,159.96		
	$ 3,667,025.33		
Less — gas purchased (Exhibit 163, page 4-B, line 20)	3,249,178.39		
	$ 417,846.94		
Amount for 1-1/2 mos. (1.5/12)		$ 52,231	
Prepayments			
June 30, 1941 (Exhibit 88, page 1)	$ 6,000.76		
Dec. 31, 1941 (" 163, " 1, line 58)	6,364.61		
Average		6,183	
Materials and Supplies			
June 30, 1941 (Exhibit 88, page 1)	$ 93,412.78		
Dec. 31, 1941 (" 163, " 1, line 53)	115,053.90		
Average		104,233	162,647
Rate Base			$12,712,766

[fol. 16877]

Michigan Gas Transmission Corporation

Income Statement — Year 1941

	Exhibit 163	Adjustments See Attached	1941 Income Adjusted
Gross Revenues			
Sales to Other Gas Utilities	$3,576,343.78	$ —	$3,576,343.78
Inter-Company Sales	322,819.43	—	322,819.43
Total Gas Sales	$3,899,163.21	$ —	$3,899,163.21
Rent from Gas Property	755.00	$ —	$ 755.00
Revenue from Transportation of Gas for Others	1,627,746.55	—	1,627,746.55
Total Other Gas Revenues	$1,628,501.55	$ —	$1,628,501.55
Total Gas Revenues	$5,527,664.76	$ —	$5,527,664.76
Non-Utility Revenues	130.00	—	130.00
Total Revenues	$5,527,794.76	$ —	$5,527,794.76
Operating Revenue Deductions			
Operating Expenses	$3,614,865.37	$ 89,400*(1)	$3,704,265.37
Maintenance	52,159.96	—	52,159.96
Provision for Retirements	366,785.40	*129,443(2)	237,342.40
Taxes — Local and miscellaneous Federal	158,027.67	—	158,027.67
" — Federal income	222,707.99	*13,857(3)	208,850.99
" — Excess Profits	91,756.60	*44,700(4)	47,056.60
Total Operating Revenue Deductions	$4,506,302.99	$*98,600	$4,407,702.99
Net Operating Revenue	$1,021,491.77	$ 98,600	$1,120,091.77
Other Income (Interest)	227.42	—	227.42
Gross Income	$1,021,719.19	$ 98,600	$1,120,319.19
Income Deductions			
Interest on Loans of Columbia Gas & Electric Corp.	$ 503,230.00	$ —	$ 503,230.00
Interest — Other	12,769.04	—	12,769.04
Interest — Charged to Construction	*4,178.67	—	*4,178.67
Total Income Deductions	$ 511,820.37	$ —	$ 511,820.37
Net Income	$ 509,898.82	$ 98,600	$ 608,498.82

*Indicates red figures.

[fol. 16878]

Michigan Gas Transmission Corporation

Adjustments To 1941 Income Statement For Changes In Operating Expenses Not Fully Effective For Entire Calendar Year 1941

*(1) Operating Expenses			
(a) Payroll increases to employees effective July 1, 1941 —			
Total annual increases		$ 22,800	
Included in 1941 expenses (Exhibit 247, line 7)		11,400	$ 11,400
(b) Emergency property protection —			
Total per year		$ 72,000	
Included in 1941 expenses (Exhibit 247, line 19)		0	72,000
(c) Rate case expense —			
Annual rate of write-off (Exhibit 163, page 21A, line 42)		$ 12,000	
Included in 1941 expenses		6,000	6,000
			$ 89,400
*(2) Provision for Retirements			
Amortization of Investment —			
Original cost of Utility Plant at June 30, 1941 (Exhibit 92)		$12,261,261	
Less — Original cost of Short Term Property at June 30, 1941 (Exhibit 85)		54,000	
		$12,207,261	
Additions July 1, 1941 to December 31, 1941 —			
Utility Plant account Dec. 31, 1941 (Exhibit 163, page 1, line 1)	$12,804,341		
Utility Plant Account June 30, 1941 (Exhibit 88, page 1)	12,402,884		
Increase last 6 months of 1941		401,457	
Long Term Investment at December 31, 1941			12,608,718
Deduct — estimated salvage on long term property			
On property at June 30, 1941 (Exhibit 104, page 6)		$ 127,935	
On increase in property in last 6 months of 1941 —			
Ratio of estimated salvage used in Exhibit 104, page 6 — $127,935/$12,207,261 or 1.05%			
Estimated salvage on additions in last 6 months of 1941 — 1.05% of $401,457 equals		4,215	132,150
Long Term Investment to be recovered through amortization			$12,476,568

*Indicates red figures.

[fol. 16879]

Factor for Annual Rate of Amortization on a sinking fund basis earning 6 1/2% compounded annually for 24 years	1.83977
Annual Amortization of Long Term Investment	$ 229,540
Annual Amortization of Short Term Investment — Straight Line Basis (Exhibit 104, page 1, item 12)	7,802
Total Annual Requirement to Amortize Investment in Utility Plant	$ 237,342
Provision for Retirements Charged on Books for Year 1941	366,785
Reduction	$ *129,443
(3) Federal Income Tax	
15.5% (31% after 50% Excess-Profits Tax) of $89,400 shown in (1) above	$ *13,857
(4) Excess Profits Tax	
Increase in expenses per (1) above of $89,400 reduces taxable income by this amount which falls within the 50% bracket of Excess-Profits Tax	$ *44,700

*Indicates red figures.

[fol. 16880] Certificate of Service

I hereby certify that I have this day mailed, postage prepaid, to the respective counsel for each of the parties to this proceeding copies of the amended motion of Michigan Consolidated Gas Company for an interim order reducing rates.

Dated at Washington, D. C., this 27th day of April, 1942.

PARK CHAMBERLAIN,
Counsel for Michigan Consolidated Gas Company.

[fol. 16881] (Stipulation of Counsel for various Parties and Federal Power Commission Counsel consenting to withdrawal of Federal Power Commission Counsel's Motion for Immediate Order reducing Rates, etc.)

(Received May 7, 1942, Federal Power Commission.)

(Docketed May 11, 1942, Federal Power Commission.)

City of Detroit, Michigan
and
County of Wayne, Michigan
vs.
Panhandle Eastern Pipe Line Company
and
Michigan Gas Transmission Corporation

Docket No. G-200—100-2

Formal

In the Matter of

Panhandle Eastern Pipe Line Company
Michigan Gas Transmission Corporation
and
Illinois Natural Gas Company

Docket No. G-207

It is hereby stipulated by and between counsel for the respective parties to the above-entitled proceedings that Commission counsel's motion for an immediate order reducing rates, filed with the Trial Examiner during the hearing on April 23, 1942, and copied in the transcript of

the proceedings at pages 10753 to 10764, may be withdrawn and that Commission counsel may file in substitution therefor the motion for an immediate order reducing rates, a copy of which is hereto attached.

It is understood that the execution of this stipulation by and on behalf of Respondents shall not indicate or be deemed to indicate approval of the merits of the motion or the proposed changes therein, or approval or assent to any allegation or assertion contained in said motion, or to the validity of any such allegation; and, in particular, it is understood that the execution of this stipulation by and on behalf of Respondents is being made at the request of counsel for the Commission, and does not constitute and may not be deemed to constitute a waiver of any of the rights of said Respondents, or any of them, whether under such contention as they may make of denial to them of due process of law in these proceedings, or otherwise.

CARL J. WHEAT,
Counsel for
PANHANDLE EASTERN PIPE LINE COMPANY,
MICHIGAN GAS TRANSMISSION CORPORATION,
ILLINOIS NATURAL GAS COMPANY

HARRY S. LITTMAN,
Counsel for
FEDERAL POWER COMMISSION.

JAMES H. LEE,
Counsel for
CITY OF DETROIT, MICHIGAN

HAROLD GOODMAN,
Counsel for
COUNTY OF WAYNE, MICHIGAN

PARK CHAMBERLAIN,
Counsel for
MICHIGAN CONSOLIDATED GAS COMPANY.

[fol. 16882] (Motion of Counsel for Federal Power Commission for Immediate Order reducing Rates.)

Comes now Harry S. Littman, Counsel, for the Federal Power Commission, in the above-entitled cause, who respectfully represents that:

1. On February 28, 1941, a petition was filed by the City of Detroit and the County of Wayne, Michigan, in Docket No. G-200, alleging, among other matters, that Panhandle Eastern Pipe Line Company[1] sells natural gas to he Michigan Consolidated Gas Company for resale in the City of Detroit and County of Wayne, Michigan; that such gas is produced in the States of Texas and Kansas and is transported to a point of delivery near the City of Detroit; that such gas is transported from a point on the Indiana-Illinois boundary line to a point at or near the City of Detroit by Michigan Gas Transmission Corporation[2] for the account of Panhandle Eastern, for which transportation Panhandle Eastern pays its affiliate, Michigan Gas, an excessive rate or charge; that the rates and charges demanded and collected by Panhandle Eastern from Michigan Consolidated Gas Company are unjust, [fol. 16883] unreasonable, and unduly discriminatory; and praying that the Commission, after investigation, fix and determine the just and reasonable rates to be thereafter observed and in force in respect of such transportation and sale of natural gas for resale in said City and County.

2. On March 28, 1941, Michigan Gas filed an answer denying that any of its charges in connection with the sale or delivery of gas to Michigan Consolidated Gas Company are excessive, unjust or unreasonable; and on April 3, 1941, Panhandle Eastern filed an answer to the said petition denying that its rates are unjust, unreasonable or discriminatory.

3. By order of May 22, 1941, the Commission on its own motion instituted an investigation, in Docket No. G-207, for the purpose of enabling the Commission to determine whether, in connection with any transportation or sale of

[1] Hereinafter sometimes referred to as "Panhandle Eastern".

[2] Hereinafter sometimes referred to as "Michigan Gas".

natural gas subject to the jurisdiction of the Commission, the rates and charges of Panhandle Eastern and Michigan Gas are unjust, unreasonable, unduly discriminatory, or preferential, and, if so, to fix by appropriate order or orders just and reasonable rates or charges.

4. By order of June 10, 1941, the Commission permitted the Michigan Public Service Commission to become an intervener in the complaint proceeding designated Docket No. G-200; and by order of July 12, 1941, the Commission permitted Michigan Consolidated Gas Company to become an intervener and a party to said proceeding.

5. On September 2, 1941, the Commission directed that the proceeding in Docket No. G-207 be consolidated with the complaint proceeding in Docket No. G-200 for purposes of hearing.

6. On March 26, 1942, the Commission ordered that the investigation, instituted by the Commission's order of [fol. 16884] May 22, 1941, be enlarged to include an investigation of the rates and charges of Illinois Natural Gas Company[1], a wholly-owned subsidiary of Panhandle Eastern, and making said Illinois Natural Gas Company a party respondent to the proceeding designated Docket No. G-207.

7. Hearings were commenced on July 15, 1941, and have continued for approximately 84 days during which a total of approximately 10,000 pages of testimony has been taken; one witness appeared for the petitioners who introduced approximately 15 exhibits, 21 witnesses appeared for the respondents[2] who introduced approximately 186 exhibits, and 4 witnesses appeared for the Commission who introduced approximately 30 exhibits; intervener Michigan Consolidated Gas Company introduced 9 exhibits; all of said witnesses were either cross-examined or were tendered for cross-examination, and full and complete opportunity has been given to the respondents to cross-examine all wit-

[1] Sometimes hereinafter referred to as "Illinois Natural".

[2] Panhandle Eastern, Michigan Gas, and Illinois Natural are hereinafter sometimes referred to collectively as "respondents".

nesses offered by the petitioners and the Commission; and full and complete opportunity has been afforded to the respondents to present testimony and to rebut the testimony offered by the petitioners and the Commission.

8. The respondents have introduced evidence with respect to book cost and original cost of plant, "going concern value", capital additions, working capital, depreciation, gas reserves, revenues, expenses, allocation, operations, rate of return and other matters alleged to relate to the issue of the reasonableness of their rates, and have presented a complete case in attempted justification of the said rates; the petitioners also presented evidence on certain similar subjects; Commission counsel, introduced evidence relating to a write-up in the book cost of plant accounts, historical earnings on average net investment, [fol. 16885] working capital, depreciation and, allocation rate of return; the evidence now contained in the record, which includes the respondents' entire presentation on direct covering all elements allegedly relating to the issue of reasonableness of the existing rates, is sufficient and complete in establishing that the present rates charged and collected by the respondents are unjust and unreasonable (as hereinafter shown) and should be immediately reduced before the taking of further testimony of the Commission's witnesses.

9. At page 10651 of the transcript of the proceedings, counsel for the respondents stated that they had concluded the presentation which they desired to make; at page 10772 of the transcript of the proceedings, at the conclusion of all the evidence now contained in the record, respondents' counsel stated that they had no further testimony to offer; at page 10773 of the transcript of the proceedings respondents' counsel stated "We will not make the contention that we have not had an opportunity to put on additional testimony here if we had so desired"; and the respondents have had in every respect a full, fair and complete hearing.

10. From a consideration of all the evidence it appears that:

I. Rate Base

(a) The book cost of plant, as claimed by the respondents, at December 31, 1941, is $82,952,156.82, as follows:

Claimed Book Cost of Plant[1]

Panhandle Eastern	$66,541,913
Illinois Natural	3,108,120
Michigan Gas	12,664,841
Indiana Gas	197,957
Pipe Line Purchased	439,326
Total (Exh. 194)	$82,952,157

[fol. 16886] Respondents' claim that the investment in properties as shown on their books substantially represents the original cost of said properties (T. 926-927; Exh. 91).

(b) Included in the said claimed cost of plant is the amount of $2,910,734 of construction work in progress, which should properly be deducted from said total claimed cost in arriving at the original cost of plant in service at December 31, 1941.

(c) Included in the said claimed cost of plant of Panhandle Eastern is the purported unamortized cost of "Gas Sales and Purchase Contracts" in the amount of $1,172,115; and the evidence shows that the said sum of $1,172,115 does not represent actual cost but it is in fact a write-up and should properly be eliminated from the said claimed cost of plant in arriving at original cost of plant in service at December 31, 1941.

(d) Included in the said claimed cost of plant are "Contributions in Aid of Construction" totaling $55,016, which should properly be deducted in arriving at the original cost of plant in service as of December 31, 1941.

(e) The original cost of plant in service at December 31, 1941, reflecting the deductions and eliminations set

[1]Giving effect to financing transactions consummated on February 6, 1942 and the acquisition on that date of capital stock and debt of Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation (herein sometimes referred to as "Indiana Gas") and purchase of a pipe line of Ohio Fuel Gas Company.

forth in paragraphs (b), (c) and (d) above, is not more than $78,814,292, as here shown:

Cost of Plant in Service

Panhandle Eastern	$62,665,568
Illinois Natural	2,871,194
Michigan Gas	12,643,847
Indiana Gas	194,357
	$78,374,966
Pipe Line Purchased from Ohio Fuel Gas Co. subsequent to December 31, 1941	439,326
Total	$78,814,292

[fol. 16887] (f) The respondents have accumulated reserves for depreciation, depletion and amortization, as of December 31, 1941, in the amount of $12,596,987, as follows (Exh. 194):

Reserves for Depreciation, Depletion and Amortization

Panhandle Eastern	$10,405,047
Illinois Natural	502,976
Michigan Gas	1,661,966
Indiana Gas	26,998
Total	$12,596,987

The evidence shows that the said reserves, totalling $12,596,987 represent the accrued depreciation, depletion and amortization of the plant in service, as of December 31, 1941; and the said amount is deducted from the aforesaid cost of plant to arrive at the rate base for purposes of this motion.

(g) The evidence shows that the allowable working capital is not in excess of $920,000, as follows:

Working Capital

Panhandle Eastern	$726,000
Illinois Natural	17,000
Michigan Gas	173,000
Indiana Gas	4,000
Total (Exh. 221)	$920,000

(h) Based upon paragraphs (a) to (g) above, the rate base, i. e., original cost, less accrued depreciation, plus working capital, is not in excess of $67,137,305, as here shown:

Rate Base

Cost of Gas Plant in Service at December 31, 1941	$78,814,292
Less:	
Depreciation Reserves	12,596,987
Net Original Cost	$66,217,305
Working Capital	920,000
Rate Base	$67,137,305

[fol. 16888] II. Gross Operating Revenue

The consolidated gross operating revenue of the respondents for the year 1941 amounted to $17,789,573 (Exh. 195).

III. Operating Expenses

(a) The consolidated operating expenses, as shown by the respondents' exhibits, for the year 1941, were as follows:

Operation and Maintenance	$2,648,694
Gas Purchased[1]	1,180,918
Depreciation, Depletion and Amortization	2,473,383
Amortization—Gas Contracts	332,143
Taxes—Federal Income[2]	2,063,175
Taxes—Federal Excess Profits[2]	1,677,054
Taxes—Property and Miscl.	901,387
Total (Exh. 195)	$11,276,754

[1] Inter-company gas purchases eliminated.

[2] Includes charges in lieu of Federal Income and Excess Profits Taxes in the amount of $823,881. Does not include pro-forma adjustments.

(b) Included in said operating expenses is the sum of $293,029 charged annually for the purpose of amortizing "Gas Sales and Purchase Contracts"; the evidence shows that the purported unamortized cost of such contracts in the amount of $1,172,115, as of December 31, 1941, does not represent actual cost but is in fact a write-up; and the said expense of $293,029 should be eliminated from operating expense.

(c) Said total operating expenses include the sum of $6,000 charged for rate case expense, which amount should be eliminated from operating expenses for purposes of this proceeding.

(d) The Federal income taxes should be reduced from $2,063,175 to $942,951, and the Federal excess profits taxes should be entirely eliminated in order to reflect the tax savings due to the indicated reduction in gross revenue hereinafter shown.

[fol. 16889] (e) The sum of the deductions set forth in paragraphs (b), (c) and (d) above total $3,096,307, leaving $8,180,447 as the maximum allowable operating expenses, as follows:

Operation and Maintenance	$2,642,694
Gas Purchased	1,180,918
Depreciation, Depletion and Amortization	2,473,383
Amortization—Gas Contracts	39,114
Taxes—Federal Income	942,951
Taxes—Property and Miscl.	901,387
Total (as adjusted)	$8,180,447

IV. Return

(a) The amount available for return after operating expenses and taxes, as adjusted in III, above, is $9,609,126, as follows:

Gross Operating Revenue	$17,789,573
Operating Expenses (as adjusted)	8,180,447
Net Operating Revenue	$ 9,609,126

(b) A fair rate of return for respondents is not more than 6 per cent, or $4,028,238 upon the rate base of $67,137,305.

(c) The gross revenue of respondents, therefore, exceeds a fair return by not less than $5,580,888 as follows:

Net Operating Revenue	$ 9,609,126
Return at 6%	4,028,238
Excess of Revenue Above 6% Return	$5,580,888

(d) During the five years 1937 to 1941, inclusive, Panhandle Eastern and subsidiary companies earned an average return of not less than 10.64% on their average net investment in plant of $53,997,936 (Exh. 222-A).

(e) During the period March 1, 1936, to December 31, 1941, Michigan Gas earned an average return of not less than 8½% on its average net investment in plant of $9,134,568 (Exh. 232).

[fol. 16890] 11. The evidence now clearly establishes that the present rates charged and collected by the respondents are unjust and unreasonable.

12. In order to aid the regulatory agencies in the States of Michigan, Ohio, Indiana, Illinois, Missouri and Kansas in fixing fair and reasonable rates for gas sold to ultimate consumers in said States, it is necessary that an immediate order be entered reducing the rates and charges of the respondents.

13. Nothing herein contained is to be taken as an admission of the accuracy or propriety of any of the claims made by the respondents or their witnesses.

Wherefore, Commission Counsel prays that the Commission enter an immediate interim order fixing just and reasonable rates for gas sold and transported by the respondents, Panhandle Eastern Pipe Line Company, Illinois Natural Gas Company and Michigan Gas Transmission Corporation.

HARRY S. LITTMAN,
Counsel for Federal Power Commission.

[fol. 16891] Certificate of Service

I hereby certify that today I have served copies of the attached motion on all parties to this proceeding by mailing such copies to their respective counsel of record.

Dated: Washington, D. C. This 11 day of May, 1942.

HARRY S. LITTMAN.

. . . .

[fol. 16892] (Opinion Number 80 of Federal Power Commission.)

Memorandum of Clerk of U. S. Circuit Court of Appeals:

The Opinion No. 80 of the Federal Power Commission in Dockets Nos. G-200 and G-207 was made a part of the typewritten transcript of record at this place but same is omitted from the printed record to avoid duplication inasmuch as a copy of such Opinion of the Federal Power Commission heretofore appears in this printed record as Exhibit A to the Petition of the Panhandle Eastern Pipe Line Company, et al., to Review and Set Aside an Order of the Federal Power Commission at folio page q.

(Order of Federal Power Commission Reducing Rates, September 23, 1942.)

Memorandum of Clerk of U. S. Circuit Court of Appeals:

The Order of the Federal Power Commission of September 23, 1942, in Dockets Nos. G-200 and G-207 was made a part of the typewritten transcript of record at this place but same is omitted from the printed record to avoid duplication inasmuch as a copy of such Order of the Federal Power Commission heretofore appears in this printed record as a part of Exhibit A to the Petition of the Panhandle Eastern Pipe Line Company, et al., to Review and Set Aside an Order of the Federal Power Commission at folio page rr.

[fol. 16934] (Petition of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company for Extension of Time Within Which to File New Schedules of Rates of Charges.)

(Received October 9, 1942, Federal Power Commission.)

Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation, and Illinois Natural Gas Company, Respondents in these proceedings, respectfully request that this Commission extend the time for filing new schedules of rates and charges from October 15, 1942, as directed in the Commission's Order made pursuant to Opinion No. 80 in these proceedings, to December 1, 1942, and in support of this request Respondents state:

1. That since the receipt on September 29, 1942 of the Commission's Order above referred to, Respondents have [fol. 16935] proceeded diligently in attempting to devise rates and charges which might effect a reduction of not less than $5,094,384.00 below their 1941 consolidated gross operating revenues of $17,789,573.00 when applied to their 1941 transportation and sales; that although a number of rates and charges of varying types and form which might accomplish the result ordered by the Commission have been considered, none of them has as yet proven satisfactory to Respondents from the standpoint of their desire to adopt a simple form of rate capable of meeting the varying conditions prevailing on their system and of equitably distributing the ordered reduction among their various customers.

Respondents further state that they are continuing their rate studies with diligence in an effort soon to design rates and charges which will be satisfactory to them and which they believe would satisfy their customers and this Commission if and when the Commission's Order becomes finally effective.

2. Respondents state that upon designing such rates and charges, they still will face the difficult task of designing new rate schedules which, insofar as possible, they hope

to make uniform and capable of accomplishing simplification of their entire rate structure. In this connection Respondents state that their present rate schedules are complicated and unwieldy by reason of the fact that each rate schedule applying to deliveries east of Dana, Indiana is accompanied by a separate carrying agreement between Panhandle Eastern and Michigan Gas; that anticipating an [fol. 16936] ultimate merger of Michigan Gas and Illinois Natural into Panhandle Eastern, it is the desire of Respondents, pending the anticipated merger, that any new sales rate schedules which might take the place of those presently existing be filed in the name of Panhandle Eastern and that all gas which might be transported and delivered by Illinois Natural and Michigan Gas be covered by one simple carrying agreement between Panhandle Eastern and each of its two subsidiaries.

3. Respondents further state that they presently have on file with this Commission sixty-four wholesale rate schedules with numerous supplements and although they already have accomplished uniformity in many of these schedules, it would be highly desirable from the standpoint both of this Commission and of Respondents if further elimination of nonuniform terms and conditions in Respondents' rate schedules could be accomplished. Respondents believe that with the possible exception of two customers where attending circumstances might require nonuniformity of terms and conditions, they can design rate schedules which will apply uniformly to all of their customers. Respondents hope and believe that with an extension of the time within which to file new rates and charges to December 1, 1942, they can design new rates and rate schedules which would be satisfactory to all concerned upon final effectiveness of the Commission's Order above referred to.

4. Respondents state that they have not yet determined [fol. 16937] whether to file with this Commission a Petition for Rehearing in these proceedings or (should such petition be filed and denied) whether to perfect an appeal to a Federal Circuit Court of Appeals having jurisdiction, but in any event Respondents state that they do not by this

request for an extension of time ask this Commission to extend the date from which new rates and charges shall be applicable in the event the Commission's Order pursuant to Opinion No. 80 in these proceedings should finally become effective.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,

MICHIGAN GAS TRANSMISSION CORPORATION,

ILLINOIS NATURAL GAS COMPANY,

By G. J. Neuner,
Vice President,
1221 Baltimore Avenue,
Kansas City, Missouri.

State of Missouri,
County of Jackson—ss.

G. J. Neuner, being first duly sworn, deposes and says that he is Vice President of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company; that he has read the foregoing Request for Extension of Time and knows the contents thereof, and that the same is true to his own knowledge except as to the matters therein stated upon information or belief and as to those matters he believes them to be true.

G. J. NEUNER.

Subscribed and sworn to before me this 7th day of October, 1942.

(Notarial Seal) MARY C. MAGERS,
Notary Public.

My Commission expires August 31, 1943.

[fol. 16938] (Order of Federal Power Commission Granting Extensions of Time to Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company to File New Schedules of Rates and Charges.)

United States of America

Federal Power Commission.

Commissioners Leland Olds, Chairman, Claude L. Draper, Basil Manly, John W. Scott and Clyde L. Seavey.

October 12, 1942.

City of Detroit, Michigan and County of Wayne, Michigan, Docket No. G-200. vs.
Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

In the Matter of

Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company.

Docket No. G-207.

Upon motion filed with the Commission October 9, 1942, by Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, praying that additional time be granted Respondent-Defendants for the preparation and filing of new schedules of rates and charges as provided for in Section (B) of the Commission's order of September 23, 1942:

It appearing to the Commission that:

Good cause has been shown for the granting of the extension of time hereinafter ordered:

The Commission orders that:

The time within which the Respondent-Defendants shall file the new schedules of rates and charges required by the Commission's order of September 23, 1942, be and the same is hereby extended to November 10, 1942, provided, however, that:

(i) The extension of time herein granted shall not operate as a change of the date on which the new schedules of rates and charges shall be effective, namely, November 1, 1942;

[fol. 16939] (ii) Nothing in this order shall be construed as staying the time within which Respondent-Defendants shall file a petition for rehearing or a petition for review as provided in Section 19 of the Natural Gas Act.

By the Commission.

J. H. GUTRIDE,
Acting Secretary.

[fol. 16940] (Petition of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company for Stay of Order of Federal Power Commission of September 23, 1942.)

(Received October 23, 1942, Federal Power Commission.)

To The Honorable Federal Power Commission:

Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, defendants-respondents in the above entitled and numbered causes, and herein termed respondents respectfully petition the Commission to enter and issue an order staying in all respects the effective date and operation of the Commission's order of September 23, 1942 entered pursuant to its Opinion No. 80, and served on respondents on September 28, 1942 (said order having, in effect, been amended by the Commission's order of October 12, 1942, extending the time in which respondents are required to file new schedules of rates and charges).

The following facts are alleged in support of this petition:

[fol. 16941] (1) Respondents have, within the time required by the National Gas Act and the Rules of the Commission, filed with the Commission their Petition for Re-

hearing and Reconsideration, in which they seek an order of the Commission abrogating and setting aside said order of September 23, 1942, which motion has not yet been determined by the Commission.

(2) In said petition, complaint is made of certain rulings of the Examiner, and of certain findings, holdings and orders of the Commission.

(3) Respondents have many customers who purchase gas for resale, under rate contracts and schedules of varying types, and there is a lack of uniformity in the prices paid by such distributors for the gas purchased by them.

(4) In the event said order is not stayed, and the Commission upon consideration shall grant respondents' Petition for Rehearing and Reconsideration, or if said petition be denied, and as a result of a proceeding for review filed in a court of competent jurisdiction, said order shall be modified or set aside, in whole or in part, respondents probably will be faced with the necessity of filing many suits to recover the deficiency in collections during the pendency of the consideration of said petition for rehearing by the Commission, and during the pendency of such review proceedings, if any; but the rights of respondents and their customers as well as the rights of the ultimate consumers may be fully protected by a reasonable impounding order issued by the Commission as a condition for stay.

(5) Respondents do not by this application for stay ask the Commission to postpone the date from which new rates and charges shall be applicable in the event the Commission's order pursuant to Opinion No. 80 shall become finally effective, but only that compliance with said order be stayed pending a consideration and determination by the Commission of their said Petition for Rehearing and Reconsideration, and pending a review, if any be sought, [fol. 16942] of said order by a court of competent jurisdiction as provided by the terms and provisions of the Natural Gas Act.

Respondents stand ready to comply with any reasonable impounding requirement which the Commission may find

appropriate as a condition for granting this application for stay.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,

MICHIGAN GAS TRANSMISSION CORPORATION,

ILLINOIS NATURAL GAS COMPANY,

By Glenn W. Clark, Attorney of Record,
1221 Baltimore Avenue,
Kansas City, Missouri.

State of New York,
County of New York.

J. D. Creveling, being duly sworn, makes the following statement on oath; that he is the President of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, defendant-respondents named in the above and foregoing petition; that he has read said application and that the statements of fact therein contained are true, according to his best knowledge and belief.

J. D. CREVELING.

Subscribed and sworn to before me this 22nd day of October, 1942.

(Notarial Seal) FRANK A. MOYER,
Notary Public,
New York County, New York,
Notary Public, Kings Co., N. Y.
Kings Co. Clk's No. 80, Reg. No. 4074
N. Y. Co. Clk's No. 104, Reg. No. 4M79

Commission expires March 30, 1944.

[fol. 16943] State of New York,
County of New York.

Glenn W. Clark, being duly sworn, states on oath that he is an attorney of record for respondents named in the foregoing Petition for Stay; that on this 22nd day of October 1942 he has served a copy of said Petition for Stay

upon an attorney of record for each party to these proceedings by properly addressed U. S. Mail, postage prepaid.

GLENN W. CLARK.

Subscribed and sworn to before me this 22nd day of October, 1942.

(Notarial Seal)

FRANK A. MOYER,
Notary Public,
New York County, New York,
Notary Public, Kings Co., N. Y.
Kings Co. Clk's No. 80, Reg. No. 4074
N. Y. Co. Clk's No. 104, Reg. No. 4M79

Commission expires March 30, 1944.

[fol. 16944] (Petition of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company for Rehearing.)

(Received October 23, 1942, Federal Power Commission.)

To The Honorable Federal Power Commission:

Now come Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, defendants-respondents in the above entitled and numbered causes, and herein termed respondents, and apply for a rehearing and reconsideration on the order of the Commission dated September 23, 1942, and served on respondents on September 28, 1942. The grounds upon which this application is based are stated specifically in the specifications of error, hereinafter set out, addressed to certain rulings of the Commission's Examiner in the course of the hearing of evidence, and to certain rulings, holdings and findings in the memorandum opinion upon which said order is based, and in the order itself; and cer-
[fol. 16945] tain assignments are based on the failure in such order to make certain rulings, holdings and findings under the record in these proceedings.

Specifications of Error.

I.

The Examiner for the Commission erred in refusing to admit in evidence the exhibits showing the reproduction

cost new of respondents' physical properties, and the present value of such properties as evidenced by the reproduction cost new of such properties less observed depreciation thereof. Such facts are disclosed in Exhibits Nos. 39, 39A, 62, 83 and 84, objections to the admission of which were sustained by the Examiner, and subsequent tender of proof thereon rejected.

II.

The Examiner for the Commission erred in refusing to admit in evidence the present value of the gas leasehold estates owned by Respondent Panhandle Eastern, based on the prices at which said gas leaseholds could now be sold, whether the production therefrom be sold by the purchaser in a regulated or in an unregulated market. The details of such valuation and the testimony of the witness Wallace explanatory thereof fully appear in Exhibits 37 and 37A, objections to the admission of which were sustained by the Examiner, and subsequent tender of proof thereon rejected.

III.

The Examiner erred in refusing to admit in evidence testimony dealing with the value of the properties of Respondent Panhandle Eastern at the approximate date of the enactment of the Natural Gas Act. Such evidence was reflected in Exhibits 71 and 75. Objections were sustained by the Examiner to the admission of Exhibit 71, and motion to strike pages 17, 20, 21, 22 and 32 of Exhibit 75 was sustained. Subsequently tender of proof of Exhibit 71 and the stricken pages of Exhibit 75 was refused. The evidence so rejected was of importance because it, considered in [fol. 16946] connection with the additions to plant account and depreciation charged since 1937, has a bearing on the present value of Panhandle Eastern's properties, and a determination of an appropriate rate base and return.

IV.

The Commission erred in refusing to allow as a part of the rate base, the investment represented by work in progress on December 31, 1941, since such property represented actual cost on that date.

V.

The Commission erred in refusing to include in the rate base the property represented by construction work in progress on February 28, 1942, since such property represented actual cost on that date.

VI.

The Commission erred in refusing to include in the rate base the property represented by construction work in progress on March 31, 1942, since such property represented actual cost on that date.

VII.

The Commission erred in refusing to include in the rate base the additional capital expenditures, which are covered by current budgets, are in course of construction, and will be completed by the end of 1942, since the evidence clearly shows that the expenditures will be made, and that funds are on hand to make the required payments.

VIII.

The Commission erred in refusing to include as a part of the rate base the amount by which the Gas Plant classified was increased during the period December 31, 1941 to March 31, 1942 since such increase reflects actual cost to Respondents.

[fol. 16947] IX.

The Commission erred in refusing to include in the rate base the unamortized portion ($251,505) of the item of $654,989 included in "old gas sales and purchase contracts" which concededly reflects cost to Panhandle Eastern.

X.

The Commission erred in refusing to accept as the rate base Respondents' "Prudent Investment" represented by its invested capital, adjusted by a reduction therefrom of the unamortized portion of the item representing the contracts acquired by Panhandle Eastern from Missouri Kansas Pipe Line Company, originally for $2,398,402, the only item reflected in the invested capital as to which any question has been raised relating to cost to Panhandle Eastern.

XI.

The Commission erred in failing to allow as a part of operating expenses the sum of $73,500 per annum required in 1942 and subsequent years, but not reflected in 1941 operating expenses, which additional expense results from payroll increases not incident to increase in revenues.

XII.

The Commission erred in failing to allow as a part of the operating expenses, the sum of $221,500, not reflected in 1941 expenses, required for emergency property protection as a result of the war.

XIII.

The Commission erred in failing to allow as an operating expense, the sum of $70,000 representing a reasonable annual charge for amortizing in five years the expense of these proceedings.

[fol. 16948]

XIV.

The Commission erred in failing to allow as an operating expense, the sum of $30,000 representing an increased cost of Employees' Welfare and Pension Expense resulting from the employees of Michigan Gas becoming employees of the Panhandle Eastern System and thereby entitled to participate in such benefits.

XV.

The Commission erred in failing to find and recognize that of the revenue received for 1941, at least $980,000 represented increased sales to companies engaged in war work, and did not represent normal sales.

XVI.

The Commission erred in using Respondents' 1941 experience as a test period without adjusting same so as to deduct the increased sales to purchasers engaged in war work, and so as to increase operating expenses by increases in payroll, cost of Employees' Welfare and amortization of rate case expenses.

XVII.

The Commission erred in using Respondents' 1941 experience as a test period, without adjusting same to take account of the certain increase in Federal Income and Excess Profits Taxes required by the 1942 act, which rates all must recognize will not be substantially reduced for many years.

XVIII.

The Commission erred in finding that 6½% is a fair return upon the rate base allowed because there is no evidence of probative value to support that finding.

XIX.

The Commission erred in finding that $4,363,925 constitutes a reasonable return to Respondents because there is no evidence of probative value showing that such amount [fol. 16949] is a fair and reasonable return on either Respondents' invested capital, or the fair value of their property.

XX.

The Commission erred in finding that $4,363,925 constitutes a reasonable return to Respondents because there is no evidence of probative value that such sum reflects that "cost of service" as that term is used in applying the prudent investment doctrine of regulation.

XXI.

The Commission erred in finding that $4,363,925 constitutes a reasonable return to Respondents, because there is no evidence of probative value that such a return will be adequate to attract capital to the enterprise.

XXII.

The Commission erred in finding that $4,363,925 constitutes a reasonable return to Respondents, because there is no evidence of probative value that such a return will be adequate to maintain and support their credit, and enable them to raise the money necessary for the discharge of their public duties.

XXIII.

The finding of the Commission that $4,363,925 constitutes a reasonable return to Respondents is against the uncontroverted evidence to the effect that such a return will not represent Respondents' cost of service, and the Commission erred in failing to so find.

XXIV.

The finding of the Commission that $4,363,925 constitutes a fair return to Respondents is against the uncontroverted evidence to the effect that such a return will not be adequate to attract capital to the enterprise, and the Commission erred in failing to so find.

[fol. 16950] XXV.

The finding of the Commission that $4,363,925 constitutes a fair return to Respondents is against the uncontroverted evidence to the effect that such a return will not be adequate to maintain and support Respondents' credit and enable it to raise the money necessary for the proper discharge of their public duties.

XXVI.

The Commission erred in failing to adopt at least Respondents' Invested Capital (less the unamortized portion of the old gas sales and purchase contracts) as of March 31, 1942, in the sum of $76,563,961, as the appropriate rate basis and the cost of service thereof, $5,173,686 as the return to which Respondents are entitled,—a "rate of return" of 6.75% on the invested capital.

XXVII.

The Commission erred in failing to adopt at least Respondents' Pro Forma Invested Capital (less the unamortized portion of the old gas sales and purchase contracts) as of December 31, 1941 in the sum of $75,738,202, as the rate base, and the cost of service thereof, $5,074,292, as the return to which Respondents are entitled,—a rate of return of 6.69% on such invested capital.

XXVIII.

The Commission erred in the assumption that future increases in net revenues will equal the increases in expenses

since there is no evidence of probative value to sustain such assumption.

XXIX.

The Commission erred in taking into consideration the possibility that Respondents' lines may for a time be operated at a 90% capacity factor without also taking into consideration the additional capital expenditures which [fol. 16951] will be required to permit such operation more than a few months, and the increased unit production cost resulting therefrom.

XXX.

The Commission erred in holding that increased tax burdens must be borne by a regulated utility, and are not to be allowed for in the fixing of Respondents' rates.

XXXI.

The Commission erred in disallowing as an operating expense the amortization of that unamortized portion of the old gas sales and purchase contracts which represent cost to Panhandle Eastern.

XXXII.

The Commission erred in requiring a reduction of Respondents' rates and charges so as to reflect, when applied to their 1941 transportation and sales, a reduction of not less than $5,094,384 below their 1941 consolidated gross operating revenue; thus taking from Respondents a large portion of their required cost of service.

XXXIII.

The Commission erred in assuming jurisdiction of respondents' direct sales by taking the proceeds from such sales into consideration in determining the amounts of respondents' profits, and then directing that the excess return so determined [to] reduced through a reduction of the prices and charges for gas sold for resale.

XXXIV.

The Commission erred in failing reasonably to allocate respondents' earnings between regulated sales and unregulated sales.

[fol. 16952] XXXV.

The Commission erred in failing to consider, in determining either the rate base or the appropriate return, the cost of carrying unused capacity until its use was required, since it was not shown that during the period 1932 to 1937 the earnings of respondent Panhandle Eastern constituted a reasonable return on its invested capital or that such cost was thereafter recouped from excessive earnings.

XXXVI.

The Commission erred in finding that the failure of respondent Panhandle Eastern fully to utilize its capacity during the development period 1932 to 1937 was because of the restraint of its holding company because

(1) There is no evidence of probative value sufficient to justify the finding.

(2) The amount of revenues, if any, lost to the company, as a result of such restraint, if any there was, is not made to appear.

(3) There is no evidence to support the finding that customers along the line were clamoring for service.

Wherefore, Respondents pray that they be granted a rehearing and reconsideration herein, and that the Commission enter an order abrogating and setting aside its order of September 23, 1942 directing a reduction of Respondents' rates.

Respectfully submitted,

PANHANDLE EASTERN PIPE LINE COMPANY,

MICHIGAN GAS TRANSMISSION CORPORATION,

ILLINOIS NATURAL GAS COMPANY

By Glenn W. Clark,
Attorney of Record,
1221 Baltimore Avenue,
Kansas City, Missouri.

[fol. 16953] State of New York,
County of New York.

J. D. Creveling, being duly sworn, makes the following statement on oath: that he is the President of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, defendants-respondents named in the above and foregoing petition; that he has read said motion and that the statements of fact therein contained are true, according to his best knowledge and belief.

J. D. CREVELING,

Subscribed and sworn to before me this 22nd day of October, 1942.

(Notarial Seal) FRANK A. MOYER,
Notary Public, New York County, New York.
Notary Public, Kings Co., N. Y.
Kings Co. Clk's No. 80, Reg. No. 4074
N. Y. Co. Clk's No. 104, Reg. No. 4M79
Commission expires March 30, 1944.

State of New York,
County of New York.

Glenn W. Clark, being duly sworn, states on oath that he is an attorney of record for respondents named in the foregoing Petition for Rehearing; that on this 22nd day of October 1942 he has served a copy of said Petition for Rehearing upon an attorney of record for each party to these proceedings by properly addressed U. S. Mail, postage prepaid.

GLENN W. CLARK.

Subscribed and sworn to before me this 22nd day of October, 1942.

(Notarial Seal) FRANK A. MOYER,
Notary Public, New York County, New York.
Notary Public, Kings Co., N. Y.
Kings Co. Clk's No. 80, Reg. No. 4074
N. Y. Co. Clk's No. 104, Reg. No. 4M79
Commission expires March 30, 1944.

[fol. 16954] (Order of Federal Power Commission denying Petitions for Rehearing and for Stay in Dockets Nos. G-200 and G-207.)

United States of America,

Federal Power Commission.

Commissioners: Basil Manly, Acting Chairman, Claude L. Draper, John W. Scott and Clyde L. Seavey. Leland Olds not participating.

October 30, 1942.

City of Detroit, Michigan and County of Wayne, Michigan Docket No. G-200 vs. ...

Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation.

In the Matter of

Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company.

Docket No. G-207.

Upon consideration of the petitions filed on October 23, 1942, by Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, Respondents-Defendants in the above-entitled matters, for a rehearing and for stay of the Commission's order reducing rates entered September 23, 1942, pursuant to Opinion No. 80;

The Commission finds that:

No new facts have been presented or alleged in the Respondents-Defendants' petitions which would justify a reversal or revision of the Commission's order and opinion, and no principles of law are stated in said petitions which were not fully considered by the Commission before it entered said order and opinion;

Therefore, the Commission orders that:

The said petitions be and the same are hereby denied.

By the Commission.

LEON M. FUQUAY,
Secretary.

[fol. 16955] Certification of Transcript of Record Of Federal Power Commission.

In the United States Circuit Court of Appeals for the Eighth Circuit.

Panhandle Eastern Pipe Line Company, a Corporation, Illinois Natural Gas Company, a Corporation, and Michigan Gas Transmission Corporation, a Corporation, Petitioners,

No. 12466 vs.

Federal Power Commission, City of Detroit, County of Wayne, Michigan Consolidated Gas Company, a Corporation, and Michigan Public Service Commission, Respondents.

I, Leon M. Fuquay, Secretary of the Federal Power Commission and official custodian of the records of said Commission, do hereby certify that the attached are true copies of:

	Vol.	Page
Transcript of hearing held July 15, 1941	I	1
Transcript of hearing held July 16, 1941	I	133
Transcript of hearing held July 18, 1941	I	144
Transcript of hearing held September 2, 1941	I	281
Transcript of hearing held September 3, 1941	I	381
Transcript of hearing held September 4, 1941	I	503
Transcript of hearing held October 6, 1941	II	579
Transcript of hearing held October 7, 1941	II	682
Transcript of hearing held October 8, 1941	II	852
Transcript of hearing held October 9, 1941	II	993
Transcript of hearing held October 10, 1941	II	1,163
Transcript of hearing held October 11, 1941	II	1,248
[fol. 16956] Transcript of hearing held October 27, 1941	III	1,295
Transcript of hearing held October 28, 1941	III	1,406
Transcript of hearing held October 29, 1941	III	1,541
Transcript of hearing held November 17, 1941	III	1,651
Transcript of hearing held November 18, 1941	III	1,857

[fol. 16959]

89	Michigan Gas Transmission Corporation statement showing earned surplus per books for the ten months ended December 31, 1936, years 1937 to 1940, inclusive, year and six months ended June 30, 1941.	XXVI	14,477
90	Michigan Gas Transmission Corporation—statement showing capital surplus, per books, for the ten months ended December 31, 1936, years 1937 to 1940, inclusive, year and six months ended June 30, 1941.	XXVI	14,478
91	Michigan Gas Transmission Corporation—preliminary report on original cost studies by Central Service Corporation.	XXVI	14,479
92	Michigan Gas Transmission Corporation statement showing original cost depreciated to present conditions as at June 30, 1941 and observed depreciation as at June 30, 1941.	XXVI	14,507
93	Michigan Gas Transmission Corporation—statement of contributions made to customers for business development for the years 1936, 1937 and five months ended May 31, 1938.	XXVI	14,508
94	Michigan Gas Transmission Corporation—statement showing working capital as of June 30, 1941.	XXVI	14,510
95	Michigan Gas Transmission Corporation—estimated cost of completing work in progress at June 30, 1941 and estimated gross income to be derived from the completed projects.	XXVI	14,517
96	Michigan Gas Transmission Corporation—estimated cost of rate gas proceedings before Federal Power Commission.	XXVI	14,518
97	(Not received in evidence)	XXVI	14,519
[fol. 16967] 98	Michigan Gas Transmission Corporation—estimated annual amortization short-lived property, twenty-four and one-half year amortization period.	XXVI	14,529
99	Michigan Gas Transmission Corporation—statement of income and expense per books for years ended December 31, 1936 to 1940, inclusive, twelve months ended June 30, 1941 and six months ended June 30, 1941 and December 31, 1940.	XXVI	14,530
100	Michigan Gas Transmission Corporation—statement of income and expense per books and after adjustments and redistributions necessary to reflect the 2-6 months period per books on an annual basis.	XXVI	14,533

101	Michigan Gas Transmission Corporation—comparative statement of operating revenues.	XXVI	14,537
102	Michigan Gas Transmission Corporation—operation and maintenance expense per books for the twelve months ended June 30, 1941.	XXVI	14,538
103	Michigan Gas Transmission Corporation—statement showing gas balance, gas transported, gas used by Company, line losses and gas purchased.	XXVI	14,540
104	Michigan Gas Transmission Corporation—estimates—original cost rate base, per formula utility income and allowance for amortization of investment, etc.	XXVI	14,541
105	Michigan Gas Transmission Corporation—estimated average annual increased Federal nominal and excess profits taxes responsive to the corporation's operations based on 1941 Act.	XXVI	14,547
106	Registration statement of Panhandle Eastern Pipe Line Company No. 2-4597, filed with the Securities & Exchange Commission November 18, 1940.	XXVII	14,548
107	Report A-11488 of the committee on stock list, New York Stock Exchange, authorizing the listing of the first mortgage and first lien 3% bonds, Series B due November 1, 1960 of Panhandle Eastern Pipe Line Company.	XXVII	14,651
[fol. 16968] 108	Letter of P. McDonald Biddison re provision for retirements, depletion and amortization for year 1938.	XXVII	14,732
109	Letter of P. McDonald Biddison re provision for retirements, depletion and amortization for year 1939.	XXVII	14,733
110	Letter of P. McDonald Biddison re provision for retirements, depletion and amortization for year 1940.	XXVII	14,734
111	Letter of P. McDonald Biddison re provision for retirements, depletion and amortization for year 1941.	XXVII	14,735
112	Table of subsidiary companies of Panhandle Eastern Pipe Line Company.	XXVII	14,736
113–129 Incl.	Identified only—(not received in evidence)		
130	Details of data used in Exhibit No. 44, C. J. Peterson, witness—as requested by Federal Power Commission.	XXVII	14,739

148	Order of the Securities & Exchange Commission dated January 21, 1942 consenting to the filing of amendments to registration statement No. 2-4919 in the matter of Panhandle Eastern Pipe Line Company.	XXIX	15,116
149	Statement showing investment by owners and long term creditors at June 30, 1941, Panhandle Eastern Pipe Line Company.	XXIX	15,117
150	Financial data of common stock issues of electric and gas utilities, years 1935 to 1940, inclusive.	XXIX	15,118
[fol. 16970] 151	Earnings—price ratios of common stocks in various divisions of the utility industry.	XXIV	15,122
152	Estimate of Federal Income and excess profits taxes, applying rates levied in the Revenue Act of 1941 to net income for the year ended June 30, 1941, Panhandle Eastern Pipe Line Company.	XXIX	15,131
153	Statement of cost of business development period from April 1, 1932 to June 30, 1941, Panhandle Eastern Pipe Line Company.	XXIX	15,135
154	Panhandle Eastern Pipe Line Company, certificate of incorporation of Interstate Pipe Line Company and amendment thereto changing name to Panhandle Eastern Pipe Line Company and other certificates of amendment to certificate of incorporation.	XXIX	15,138
155	Section of amendment of certificate of incorporation of Panhandle Eastern Pipe Line Company filed May 27, 1941.	XXIX	15,199
156	Section of amendment of certificate of incorporation of Panhandle Eastern Pipe Line Company filed January 26, 1942.	XXIX	15,203
157	Exhibits H-6, H-9 and I-2 to registration statement filed with the Securities & Exchange Commission December 30, 1936 by Panhandle Eastern Pipe Line Company under file No. 2-2764.	XXIX	15,227
158	Statement showing gas revenue from Indiana Gas Transmission Corporation from November 1931 to November 1941, inclusive, Panhandle Eastern Pipe Line Company.	XXIX	15,280
159	Statement of terms with respect to contract between Panhandle Eastern Pipe Line Company and Detroit City Gas Company entered into on August 31, 1935.	XXIX	15,284

160	Purchase agreement dated February 2, 1942 between Panhandle Eastern Pipe Line Company and Glore, Forgan, & Company and Kidder, Peabody & Company.	XXIX	15,285
161	Estimated main line sales and revenues, years 1941-1946, inclusive, Panhandle Eastern Pipe Line Company.	XXIX	15,300
[fol. 16971] 162	Ten years' estimate (1941-1951) of sales to Detroit and other areas and types of sales.	XXIX	15,301
163	Financial statement of Michigan Gas Transmission Corporation for period ended December 31, 1941.	XXIX	15,312
164	Supplementary statement of financial statement (Exhibit 163).	XXIX	15,353
165	Operating budget of Michigan Gas Transmission Corporation for the year 1942.	XXIX	15,355
166	Statements showing gas purchase and sales transactions between Panhandle Eastern Pipe Line Company and subsidiaries.	XXIX	15,372
	(Substitute exhibit)		15,373
167	Statement showing checks of Michigan Consolidated Gas Company in favor of Michigan Gas Transmission Corporation drawn on National Bank of Detroit.	XXIX	15,374
168	Tabulation of measuring and regulating stations showing stations which were inspected by Francis S. Haberly and those which were not inspected.	XXIX	15,375
169	Statement showing percentage increase or decrease of sales of natural gas of Michigan Gas Transmission Corporation for year 1937 to 1941, inclusive, to other affiliates.	XXIX	15,376
170	Section setting forth the designation and certain of the terms of the 5.60% cumulative preferred stock of Panhandle Eastern Pipe Line Company filed February 3, 1942 in Delaware.	XXIX	15,378
171	Certificate of purchase and retirement of Class A preferred stock of Panhandle Eastern Pipe Line Company filed February 14, 1942 in Delaware.	XXIX	15,393
172	Balance sheets per books Panhandle Eastern Pipe Line Company and subsidiary companies.	XXIX	15,397

185	Statement of taxes paid for the years 1936 through 1940, Panhandle Eastern Pipe Line Company and subsidiary companies.	XXIX	15,415
186	Reconcilement Federal income and Federal excess profits taxes paid with amounts accrued years 1936 through 1940, Panhandle Eastern Pipe Line Company and subsidiary companies.	XXIX	15,416
187	Panhandle Eastern Pipe Line Company and subsidiary companies' statements and copies of contracts with Missouri Power and Light Company, Illinois Iowa Power Company, Caterpillar Tractor Company, Keystone Steel & Wire Company, R. Hershell Manufacturing Company and Peoria Malleable Castings Company.	XXIX	15,417
188	Panhandle Eastern Pipe Line Company annual report for year 1940.	XXIX	15,455
189	Panhandle Eastern Pipe Line Company annual report for year 1941	XXIX	15,469
190	Comparative statement of operating and maintenance expenses, Panhandle Eastern Pipe Line Company and subsidiary companies.	XXIX	15,486
191	Reconcilement of net income per books with net income per Federal income tax return for the year 1939, Panhandle Eastern Pipe Line Company.	XXIX	15,490
192	Reconcilement of net income per books with net income per Federal income tax return for the year 1940, Panhandle Eastern Pipe Line Company.	XXIX	15,491
193	Analysis of reserve for depreciation of gas plant, Panhandle Eastern Pipe Line Company and subsidiary companies.	XXIX	15,492
194	Panhandle Eastern Pipe Line Company and subsidiary companies proforma consolidated balance sheet as of December 31, 1941 giving effect to financing transactions consummated on February 6, 1942 and acquisition on that date of capital stock and debt of Michigan Gas Transmission Corporation, an Indiana gas distribution corporation, and purchase of certain property of Ohio Fuel Gas Company.	XXIX	15,494
[fol. 16974] 195	Panhandle Eastern Pipe Line Company and subsidiary companies pro forma consolidated income account for the year ended December 31, 1941.	XXIX	15,499

196	Panhandle Eastern Pipe Line Company and subsidiary companies pro forma consolidated income account for the year ended December 31, 1941 as adjusted to give the effect to Federal income and Federal excess profits tax returns proposed in recommendation of Secretary of Treasury Morgenthau on March 3, 1942 before House, Ways and Means committee.	XXIX	15,502
197	Panhandle Eastern Pipe Line Company and subsidiary companies balance sheet per books February 28, 1942.	XXIX	15,506
198	Panhandle Eastern Pipe Line Company and subsidiary companies pro forma consolidated income account for the twelve months ended February 28, 1942.	XXIX	15,510
199	Panhandle Eastern Pipe Line Company and subsidiary companies pro forma consolidated income account for the twelve months ended February 28, 1942 as adjusted to give effect to Federal income and Federal excess profits tax rates proposed in recommendation in Secretary of Treasury Morgenthau on March 3, 1942 before House, Ways and Means Committee.	XXIX	15,513
200	Panhandle Eastern Pipe Line Company and subsidiary companies (including Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation) comparative statement of gas plant as of December 31, 1939, December 31, 1940, June 30, 1941, December 31, 1941 and February 28, 1942.	XXIX	15,517
201	Michigan Gas Transmission Corporation—Gas Plant Account	XXIX	15,519
202	Panhandle Eastern Pipe Line Company and subsidiary companies statement of estimated Federal income and excess profits taxes for the year 1941 (based on the Revenue Act of 1941)	XXIX	15,520
203	Panhandle Eastern Pipe Line Company and subsidiary companies statement of operation and maintenance expense year 1941 (restated to include Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation for entire year)	XXIX	15,525
[fol. 16975] 204	Panhandle Eastern Pipe Line Company and subsidiary companies 1942 construction and retirement budgets summary by companies.	XXIX	15,529

205	Panhandle Eastern Pipe Line Company and subsidiary companies statement of certain estimated construction expenditures for the year 1942	XXIX	15,537
206	Financial statement of Panhandle Eastern Pipe Line Company and subsidiary companies for the period ended December 31, 1939	XXX	15,538
207	Financial statement of Panhandle Eastern Pipe Line Company and subsidiary companies for the period ended December 31, 1940	XXX	15,677
208	Financial statement of Panhandle Eastern Pipe Line Company and subsidiary companies for the period ended December 31, 1941	XXXI	15,783
209	Letter of Panhandle Eastern Pipe Line Company to Detroit City Gas Company dated March 30, 1936 designating the office to which the latter company should make payment for gas delivered pursuant to contract of October 31, 1935	XXXI	15,899
210	Index numbers of wholesale prices of commodities by groups (1926 = 100)	XXXI	15,901
211	U. S. Department of Labor, Bureau of Labor Statistics Release of March 26, 1942	XXXI	15,902
212	U. S. Department of Labor, Bureau of Labor Statistics, "Index Numbers of Wholesale Prices of All Commodities by Months, 1890-1940 (1926 = 100)"	XXXI	15,904
213	Table showing average hourly earnings and average hours per week per wage earner in 25 manufacturing industries 1914-1942	XXXI	15,905
214	Graph showing average hourly earnings and average actual hours per week per worker in 25 manufacturing industries 1914-1942	XXXI	15,912
215	Table showing "Employment, payrolls and average weekly earnings in representative New York State factories, 1914-1941 employment (Index numbers with average 1925-1927 as 100)"	XXXI	15,913
[fol. 16976] 216	Indexes of wholesale prices and cost of living for certain months 1913-1942 (1935-1939 = 100)	XXXI	15,914
217	Graph showing indexes of wholesale prices and cost of living 1913-1941	XXXI	15,916

227	Panhandle Eastern Pipe Line Company and subsidiary companies estimate of operation and maintenance costs south and west of Liberal Compressor Station, Panhandle field, 338,000 Mcf continuous daily sales capacity operation at 70% capacity factor	XXXI	15,989
228	Panhandle Eastern Pipe Line Company and subsidiary companies estimate of operation and maintenance costs south and west of Liberal Compressor Station, Panhandle field, 338,000 Mcf continuous daily sales capacity operation at 90% capacity factor	XXXI	15,991
229	Capacity study April 7, 1942 continuous daily delivery capacity—307,000 Mcf	XXXI	15,993
230	Capacity Study April 7, 1942 completely looped and economically powered main line system with economic production-transmission expenditures	XXXI	15,998
231	Capacity study April 7, 1942 revised completely looped and economically powered main line system with less economic production-transmission expenditures	XXXI	16,003
232	Michigan Gas Transmission Corporation computation of average return earned on net investment for the period March 1, 1936 to December 31, 1941	XXXI	16,008
233	Prospectus Panhandle Eastern Pipe Line Company 10,000,000 First Mortgage and First Lien 3% Bonds, Series C, due January 1, 1962, and 150,000 shares 5.60% cumulative preferred stock	XXXI	16,009
234	Summary of construction and retirement budgets and work order procedure	XXXI	16,095
235	Panhandle Eastern Pipe Line Company and subsidiary companies statement showing the computation of depreciation for Federal income tax purposes as claimed in Federal income returns	XXXI	16,097
236	Panhandle Eastern Pipe Line Company and subsidiary companies statement showing the computation of depreciation for Federal income tax purposes for the year 1939 on the basis as settled with the Bureau of Internal Revenue	XXXI	16,098
[fol. 16978] 237	Panhandle Eastern Pipe Line Company and subsidiary companies statement showing the computation of depreciation for Federal income tax purposes for the year 1940 as claimed in Federal income tax return	XXXI	16,099

238	Panhandle Eastern Pipe Line Company and subsidiary companies statement showing the computation of depreciation for Federal income tax purposes for the year 1940 on the basis as settled with the Bureau of Internal Revenue	XXXI	16,100
239	Panhandle Eastern Pipe Line Company and subsidiary companies analysis of Account 795, Special Services, years 1940 and 1941	XXXI	16,101
240	Panhandle Eastern Pipe Line Company and subsidiary companies (including Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation) analysis of Account 795, Special Services, year 1941	XXXI	16,102
241	Panhandle Eastern Pipe Line Company and subsidiary companies analysis of Account 796, Special Legal Services, years 1940 and 1941	XXXI	16,103
242	Panhandle Eastern Pipe Line Company and subsidiary companies (including Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation) analysis of Account 796, Special Legal Services, year 1941	XXXI	16,104
243	Panhandle Eastern Pipe Line Company and subsidiary companies statement of estimated Federal income and excess profits taxes for the 12 months ended February 28, 1942 (based on Revenue Act of 1941)	XXXI	16,105
244	Panhandle Eastern Pipe Line Company and subsidiary companies statement of budget items included in Exhibit No. 205	XXXI	16,108
245	Agreement between Columbia Gas & Electric Corporation and Panhandle Eastern Pipe Line Company dated February 5, 1942	XXXI	16,110
246	Panhandle Eastern Pipe Line Company and subsidiary companies preliminary determination of the second installment of purchase price to be paid to Columbia Gas & Electric Corporation	XXXI	16,123
[fol. 16979] 247	Panhandle Eastern Pipe Line Company and subsidiary companies statement showing certain increased costs not fully present in income account	XXXI	16,124
248	Panhandle Eastern Pipe Line Company and subsidiary companies pro forma consolidated income account for the year ended December 31, 1941	XXXI	16,125

249	Panhandle Eastern Pipe Line Company and subsidiary companies pro forma consolidated income account for the year ended December 31, 1941, as adjusted to give effect to Federal income and Federal excess profits taxes proposed in recommendation of Secretary of Treasury Morgenthau on March 3, 1942 before House Ways and Means Committee	XXXI	16,128
250	Panhandle Eastern Pipe Line Company and subsidiary companies statement of rate case expenses in connection with Federal Power Commission consolidated dockets G-200 and G-207 including actual cost to February 28, 1942 and estimated cost to complete	XXXI	16,131
250A	Panhandle Eastern Pipe Line Company and subsidiary companies statement of rate case expenses in connection with Federal Power Commission consolidated dockets G-200 and G-207 including actual cost to February 28, 1942 and estimated cost to complete	XXXI	16,131 A
251	Panhandle Eastern Pipe Line Company and subsidiary companies statement showing pro forma consolidated net operating revenue as adjusted for a full year's cost as allocated between regulated and non-regulated sales for the year ended December 31, 1941	XXXI	16,132
252	Panhandle Eastern Pipe Line Company and subsidiary companies additional information requested in re Exhibit No. 17	XXXI	16,138
253	Study relative to minimum return requirements of Panhandle Eastern Pipe Line Company (giving effect to property acquisitions) prepared by Paul B. Coffman	XXXII	16,145
254	Investors' appraisal of the risk of capital in 153 stable industrial companies for the years 1937-1941, inclusive, prepared by Paul B. Coffman	XXXII	16,242
[fol. 16980] 255	Letter of Panhandle Eastern Pipe Line Company dated April 11, 1942 to Mr. Park Chamberlain, and tabulation of comparative statement of demand charges under original and supplemental contracts, Panhandle Eastern Pipe Line Company and Michigan Consolidated Gas Company for Detroit	XXXIII	16,582
256	Letter agreement among Columbia Oil & Gasoline Corporation, National City Company and Missouri-Kansas Pipe Line Company dated September 19, 1930	XXXIII	16,585

Petition of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company filed October 9, 1942 requesting an extension of time within which to file new schedules of rates and charges.	XXXIV	16,933
Commission's order of October 12, 1942 granting extensions of time to Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company to file new schedules of rates and charges	XXXIV	16,938
Petition of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company filed October 23, 1942 for stay of the Commission's order of September 23, 1942.	XXXIV	16,940
Petition of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company filed October 23, 1942 requesting a rehearing in Docket Nos. G-200 and G-207.	XXXIV	16,944
Commission's order of October 30, 1942 denying petitions for rehearing and for stay in Dockets Nos. G-200 and G-207.	XXXIV	16,954

[fol. 16985] All of which constitute the record of the Federal Power Commission in City of Detroit, Michigan and County of Wayne, Michigan vs. Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation, Docket No. G-200 and in the matter of Panhandle Eastern Pipe Line Company, Michigan Gas Transmission Corporation and Illinois Natural Gas Company, Docket No. G-207.

(Seal
Federal Power Com.
U. S. A.)

In Witness Whereof, I hereunto subscribed my hand and cause the seal of the Federal Power Commission to be affixed this 20th day of January 1943 at Washington, D. C.

LEON M. FUQUAY,
Secretary.

Filed Feb. 6, 1943, E. E. Koch, Clerk.

[fol. 16986] (Order of United States Circuit Court of Appeals directing Respondents to Show Cause why Petition for stay of Rate Order should not be granted.)

United States Circuit Court of Appeals, Eighth Circuit.

November Term, 1942.
Monday, November 2, 1942.

No. 12,466.

Panhandle Eastern Pipe Line Company, a Corporation, Illinois Natural Gas Company, a Corporation, and Michigan Gas Transmission Corporation, a Corporation, Petitioners,

vs.

Federal Power Commission, City of Detroit, County of Wayne, Michigan Consolidated Gas Company, a Corporation, and Michigan Public Service Commission.

This cause this day came on for hearing before the Court upon the Petition of Panhandle Eastern Pipe Line Company, Illinois Natural Gas Company, and Michigan Gas Transmission Corporation for a stay, pending review, of a Rate Order of the Federal Power Commission. The petition is presented to the Court by Mr. D. H. Culton, attorney for petitioners, and counsel for respondents not being notified of the filing and presentation thereof, It is Ordered that the respondents above named, and each of them, show cause before this Court on Saturday, November 14, 1942, at ten o'clock in the forenoon in the United States Court House in the City of St. Louis, Missouri, why the petition for an order should not be granted staying the operation of the order of the Commission dated September 23, 1942, pending the preparation and filing by petitioner in this Court with the time prescribed by the Natural Gas Act of their petition for review, and pending the review of said order by this Court.

And it is further Ordered by this Court that pending the disposition of this order to show cause the enforcement of the said order of the Federal Power Commission is hereby suspended.

A copy of this order and of the aforesaid petition shall be transmitted to counsel for the respective parties.

November 2, 1942.

[fol. 16987] (Order of United States Circuit Court of Appeals Denying Petition for Stay of Operation of Rate Order Without Prejudice, etc.)

United States Circuit Court of Appeals,
Eighth Circuit.

November Term, 1942.

Saturday, November 14, 1942.

Panhandle Eastern Pipe Line Company, a Corporation, Illinois Natural Gas Company, a Corporation, and Michigan Gas Transmission Corporation, a Corporation, Petitioners.

No. 12466. vs.

Federal Power Commission, City of Detroit, County of Wayne, Michigan Consolidated Gas Company, a Corporation, and Michigan Public Service Commission.

Order was entered by this Court on November 2, 1942, directed at the above named respondents to show cause why the petition should not be granted for an order staying the operation of the rate order of the Federal Power Commission dated September 23, 1942, pending the filing by petitioners in this Court of their petition to review and pending the review of said order. Said order to show cause was made returnable this day and response of the Federal Power Commission and answer of the Michigan Consolidated Gas Company have been filed.

Following counsel have presented oral argument:

For Petitioner: Mr. D. H. Culton.

For Respondents: Federal Power Commission, Mr. Harry S. Littman, Senior Attorney. County of Wayne, Mr. Harold Goodman. City of Detroit, Mr. James H. Lee, As-

sistant Corporation Counsel. Michigan Consolidated Gas Company, Mr. Park Chamberlain.

After hearing counsel and having considered the various matters and the Court being fully advised, It is ordered by the Court that said petition for stay be, and is hereby, denied without prejudice to the filing of a petition for the same or similar relief after petition for review of the order of the Federal Power Commission has been filed and the review docketed in this Court.

November 14, 1942.

[fol. 16988] (Order of United States Circuit Court of Appeals Granting Stay Pending Further Hearing of Application Therefor.)

United States Circuit Court of Appeals,
Eighth Circuit.

November Term, 1942.

Monday, November 23, 1942.

Panhandle Eastern Pipe Line Company, a Corporation, et al., Petitioners,
No. 12,466. vs.
Federal Power Commission, et al., Respondents.

This comes before the Court on the application of petitioners for stay order pending disposition of their petition to review and set aside the order of the Federal Power Commission, and the Court being advised,

It is Ordered that such stay be granted as of this date until there can be further hearing upon and determination of such application—hearing being set for Saturday, November 28, 1942.

November 23, 1942.

[fol. 16989] (Order of United States Circuit Court of Appeals Granting Stay of Order of Federal Power Commission Dated September 23, 1942, Requiring Reduction in Rates and Charges for Gas Furnished by Petitioners, etc.)

United States Circuit Court of Appeals,
Eighth Circuit.

November Term, 1942.

Monday, December 7, 1942.

Panhandle Eastern Pipe Line Company, a Corporation, et al., Petitioners,
No. 12,466. vs.
Federal Power Commission, et al., Respondents.

This matter comes before the Court upon the petition of petitioners for an order of stay of the order of the Federal Power Commission, dated September 23, 1942, requiring reduction in rates and charges for gas furnished by petitioners; the pleadings filed thereto; the reply of the petitioners; various memoranda presented by the parties; and oral presentation by Mr. Glenn W. Clark and Mr. D. H. Culton for petitioners, Mr. Harry S. Littman for the Commission, Mr. Harold Goodman for Wayne County, Mr. James H. Lee for the City of Detroit, and Mr. Park Chamberlain for Michigan Consolidated Gas Company.

Until further order of this Court, the above order of the Federal Power Commission is stayed upon the conditions following:

1. The monthly difference between payments to petitioners under existing rates or arrangements and those required under the order of the Commission shall be promptly paid over to John G. Hughes of Kansas City, Missouri, as the custodian of this Court, not later than the twenty-fifth of the succeeding month, to be held by him for the benefit of the ultimate consumers or of petitioners as in this litigation may be determined entitled thereto. Such

payments for months prior to this order shall be made by December 15, 1942. Triplicate receipts for each of such payments shall be given petitioners by the custodian, one of which shall be promptly filed, by petitioners, with the Clerk of this Court and one with the Federal Power Commission.

[fol. 16990] 2. The entire expenses of impounding (including, among other things, protecting, investing and distributing to petitioners or to ultimate consumers) of these funds shall be borne by petitioners. Whether any earnings on such funds (while so impounded) may be applied upon such expenses is reserved for future determination. When and as required by orders of this Court, petitioners shall pay to the custodian such expense money, upon triplicate receipts, which shall be filed as above.

3. No interest shall be charged petitioners upon such impounded funds unless allowed upon application hereafter made by respondents or any of them. Such future applications may be made only (a) if and when petitioners fail to be ready to present this review upon the merits on May 14, 1943 (as set for hearing by a separate order entered as of this date), or (b) if and when this Court shall enter its decree or order sustaining the above order of the Commission and shall deny any petition for rehearing which may be filed thereto. Any interest allowed hereafter shall be at the rate of four percentum annually from the date of such allowance or thereafter as required by any orders of allowance.

4. Full power and jurisdiction is reserved to cancel or modify this order and to enter any other orders (with or without application of the parties) to protect or to promote the rights and interests of the parties to his litigation and of the ultimate consumers financially interested in the impounded funds.

It is further Ordered that the Clerk of this Court is directed to transmit a copy of this order to each of the parties to this proceeding or to their above counsel.

December 7, 1942.

[fol. 16991] (Order of United States Circuit Court of Appeals Appointing John G. Hughes as Custodian of Funds to be Impounded Under Provisions of Stay Order.)

United States Circuit Court of Appeals,
Eighth Circuit.

November Term, 1942,

Monday, December 7, 1942.

Panhandle Eastern Pipe Line Company, a Corporation, et al., Petitioners,
No. 12,466. vs.
Federal Power Commission, et al., Respondents.

It is Ordered that Mr. John G. Hughes, of Kansas City, Missouri, is hereby appointed an officer of this Court for the purposes of acting as Custodian of the funds to be impounded under the provisions of an order of stay (entered at this time). He shall qualify by filing with the Clerk of this Court a bond in the sum of One Hundred Thousand ($100,000.00) Dollars, to be approved by any Judge of this Court. Upon order of this Court, the premium for such bond shall be paid by petitioners as an expense of this review proceeding. All expenditures of the Custodian allowed by this Court and any compensation so allowed him shall (upon order of this Court), be paid by petitioners as expenses of this proceeding.

Quarterly (beginning March 31, 1943), such Custodian shall file reports of his receipts, expenditures and disposition of funds on hand and shall make any other reports as required by this Court.

He shall pay out no money except upon the order of this Court and all bank deposits (herein provided for) made by him shall be subject to this provision. As money is received by the Custodian, he shall promptly deposit the same in either the Commerce Trust Company or the First National Bank (both of Kansas City, Missouri) or in both of such banks.

The Custodian or any party to this review proceeding may, at any time, call to the attention of this Court any

action or lack of action by the Custodian, by any party to this proceeding or by any one which might tend to defeat the purpose of this Court to collect, impound and eventually distribute the difference in rates or charges under existing contracts or arrangements of petitioners and in rates or charges under the order of the Federal Power Commission involved in this review proceeding.

It is further Ordered that the Clerk of this Court is directed to transmit a copy of this order to each of the parties to this proceeding or to their counsel.

December 7, 1942.

[fol. 16992] (Order of United States Circuit Court of Appeals as to form of record to be printed and fixing time for filing Designations therefor.)

United States Circuit Court of Appeals,
Eighth Circuit.

November Term, 1942.

Monday, December 7, 1942.

Panhandle Eastern Pipe Line Company, a Corporation, et al., Petitioners,
No. 12,466. vs.
Federal Power Commission, et al., Respondents.

This matter comes before the Court upon the oral request of counsel for petitioners and for the respondent Federal Power Commission as to the form of condensation of the evidence taken before the Commission for printing in this review proceeding. The Court having heard the views of such counsel and being advised thereby as to the situation,

It is Ordered:

That the evidence to be printed for presentation of this review proceeding be determined as follows: Petitioners to designate such portions of the evidence as they desire printed, in question and answer form, and serve identifying notice of such designations upon respondents on or before

January 15, 1943; that, within thirty (30) days after receipt of such designations, respondents designate such additional portions of the evidence as they desire included and serve identifying notice thereof upon petitioners; that the portions thus designated by the parties be printed as one transcript and in the order in which the evidence so designated appears in the typewritten transcript.

December 7, 1942.

[fol. 16993] (Order of United States Circuit Court of Appeals Instructing Custodian as to Manner of Handling Funds and Securities in his Possession.)

United States Circuit Court of Appeals,
Eighth Circuit.

November Term, 1942.

Saturday, December 12, 1942.

Panhandle Eastern Pipe Line Company, a Corporation, et al., Petitioners,
No. 12,466. vs.
Federal Power Commission, et al., Respondents.

On Application presented to this Court on this 11th day of December, 1942, by John G. Hughes (appointed on December 7, 1942, as an officer of this Court for the purpose of acting as Custodian of the funds to be impounded under the provisions of an Order of Stay entered on the same date) for an order of this Court instructing him with respect to the manner in which he shall properly handle and safeguard any and all securities which he may from time to time purchase and come into possession of, as such Custodian, pursuant to orders of this Court in this proceeding,

It is Ordered:

(1) That when and as such Custodian shall purchase and come into possession of any securities, pursuant to the order of this Court in this proceeding, he shall forthwith deposit the same with the Federal Reserve Bank of Kansas City, at its office in Kansas City, Missouri, said bank to hold said securities in safekeeping subject solely to the order and direction of this Court, and no securities so deposited shall be withdrawn except upon specific order of this Court.

(2) That such Custodian, in anticipation of the purchase and deposit, as aforesaid, of securities, shall deliver promptly to the Federal Reserve Bank of Kansas City, Missouri certified copies of the Order of this Court dated December 7, 1942, appointing him an officer of this Court, the Order of Stay entered by this Court on December 7, 1942, in this proceeding, this Order, and, from time to time [fol. 16994] as entered, any order of this Court authorizing such Custodian to invest funds impounded by such Custodian in securities or authorizing withdrawal thereof from the custody of such Federal Reserve Bank or otherwise effecting the custody thereof by it.

December 12, 1942.

[fol. 16995] (Order of United States Circuit Court of Appeals, authorizing Custodian to purchase certain securities as investments.)

November Term, A. D. 1942.

Saturday, December 12, 1942.

On application presented to this Court on the 11th day of December, 1942, by John G. Hughes (appointed on December 7, 1942, as an officer of this Court for the purpose of acting as Custodian of the funds to be impounded under the provisions of an Order of Stay entered in this proceeding on December 7, 1942) for an order of this Court authorizing him, as Custodian, to place his order for Seven-eighths Per Cent Treasury Certificates of Indebtedness of Series E-1943 in an amount not to exceed $2,000,000.00, par value, plus accrued interest, if any, and to purchase said securities up to that amount when and as he receives sufficient payments from petitioners,

It is Ordered:

That John G. Hughes of Kansas City, Missouri, appointed on December 7, 1942, as Custodian of the funds to be impounded under the provisions of an Order of Stay entered in this proceeding on the same date, is hereby authorized to place his order, as Custodian, for the above described securities, dated and bearing interest from December 1, 1942 and due December 1, 1943, in an

amount not to exceed $2,000,000.00, par value, plus accrued interest, if any, such order for securities to be subject to no premium or penalties except accrued interest.

It is further Ordered that such Custodian is hereby authorized to purchase from time to time and pay for such portions of the securities so ordered as and when the [fol. 16996] funds then paid to him for impoundment by petitioners will allow, payments therefor by him to be made from his bank Account Number 1.

December 12, 1942.

[fol. 16997] (Order of United States Circuit Court of Appeals directing Petitioners to pay to Custodian certain sums to cover Bond Premium, etc.)

November Term, A. D. 1942.

Saturday, December 12, 1942.

On application presented to this Court on this 11th day of December, 1942, by John G. Hughes (appointed on December 7, 1942, as an officer of this Court for the purpose of acting as Custodian of the funds to be impounded under the provisions of an Order of Stay entered on December 7, 1942) for an order of this Court (1) directing Petitioners in this proceeding to pay to such Custodian the sum of $1,100.00 required to pay the premium of the Custodian's bond and for anticipated general expenses of the Custodian, (2) fixing and requiring Petitioners to pay the Custodian's monthly compensation, and (3) authorizing the Custodian to expend such amounts for the purposes required in his application,

It is Ordered:

1. That Petitioners (or any one of them) promptly pay to such Custodian the sum of $1,000.00 which amount the Custodian is hereby ordered to pay to R. B. Jones & Sons, Inc., as the premium for the Custodian's bond, which was approved by this Court on December 10, 1942, such payment to be made from his bank Account Number 2.

2. That Petitioners (or any one of them) promptly pay to such Custodian the sum of $100.00, to be used by the Custodian as a general expense fund, he being hereby

authorized to expend so much of said sum from time to [fol. 16998] time as may be necessary to cover his general expenses in carrying out his duties as Custodian, such expenditures to be made from his bank Account Number 2.

3. That the compensation of such Custodian is hereby fixed at $200.00 per month and Petitioners (or any one of them) are hereby ordered and directed, until further order of this Court, to pay to John G. Hughes of Kansas City, Missouri, as the Custodian appointed by this Court, on or before the last day of December, 1942, and on and before the last day of each succeeding month, the sum of $200.00. The Custodian is hereby authorized, until further order of this Court, to pay to himself, individually, from his bank Account Number 2, as Custodian of this Court, the amount of $200.00 per month as his compensation for performing the duties of Custodian.

December 12, 1942.

[fol. 16999] (Order of United States Circuit Court of Appeals requiring Custodian to set up Account No. 1 and Account No. 2, etc.)

November Term, A. D. 1942.

Saturday, December 12, 1942.

Under the provisions of the Stay Order of December 7, 1942, it was provided that described funds should be paid by petitioners to John G. Hughes, as Custodian, for impoundment, and it was further provided therein that petitioners should, as and when ordered by this Court, pay to the Custodian money needed for expenditures by the Custodian for his compensation and for other expenses; also, in the order of December 7, 1942, appointing John G. Hughes as Custodian, it was provided that he should promptly deposit all receipts in designated banks. For the purpose of securing entire separation of such receipts for and payments from impoundments and such receipts for and payments from expenses, until further order of this Court,

It is Ordered that the Custodian shall open and keep two separate deposit accounts in said banks or bank to

be designated as "Account Number 1" and "Account Number 2". In Account Number 1 shall be deposited receipts of payments to be impounded and any earnings thereon or accumulations thereof; in Account Number 2 shall be deposited receipts of payments for expenses.

It is further Ordered that no payment or expenditure of money shall be made by the Custodian except by check upon the appropriate account; and that all checks drawn by the Custodian shall state, upon the face thereof, the account upon which drawn and the date of the order of this Court authorizing the expenditure for which the check is drawn.

It is further Ordered that the Custodian keep such books [fol. 17000] of account and office files as will faithfully and clearly reflect each and all receipts and expenditures and transactions by him as Custodian.

December 12, 1942.

[fol. 17001] (Order of United States Circuit Court of Appeals authorizing Custodian to purchase certain Securities, etc.)

January Term, A. D. 1943.

Tuesday, February 23, 1943.

On Application presented to this Court on the 23rd day of February, 1943, by John G. Hughes (appointed on December 7, 1942, as an officer of this Court for the purpose of acting as Custodian of the funds to be impounded under the provisions of an Order of Stay entered in this proceeding on December 7, 1942) for an order of this Court authorizing and directing him, as Custodian, to purchase Treasury Tax Savings Notes, Tax Series C, with Funds to be received by him from Petitioners in February and March of 1943 and available for investments in addition to those heretofore authorized by this Court,

It is Ordered:

That John G. Hughes of Kansas City, Missouri, appointed on December 7, 1942, as Custodian of the funds to be impounded under the provisions of an Order of Stay entered in this proceeding on the same date, is hereby

authorized and instructed to purchase United States of America Treasury Tax Savings Notes, Tax Series C, with that portion of those funds to be paid to him for impoundment by Petitioners on or before February 25, 1943 (estimated to be approximately Six Hundred Seventy Five Thousand ($675,000.00) Dollars, over and above approximately Two Hundred Eighty One Thousand Six Hundred ($281,600.00) Dollars required to take up the unpaid balance of the Seventh-eighths Per Cent Treasury Certifi- [fol. 17002] cates of Indebtedness of Series E-1943 ordered for purchase by the Custodian pursuant to Order of this Court, dated December 12, 1942, and with all or substantially all of the funds to be so paid to him on or before March 25 [1942] payments for such notes to be made from his bank account Number 1.

It is further ordered that upon the purchase of such securities by the Custodian, he immediately deposit the same with the Federal Reserve Bank of Kansas City at its office in Kansas City, Missouri, in accordance with this Court's Order, dated December 12, 1942, instructing the Custodian with respect to the manner in which to properly handle and safeguard securities which he may from time to time purchase or come into possession of as such Custodian.

February 23rd, 1943.

[fol. 17003] (Stipulation that coloring matter appearing on certain Exhibits may be omitted from copies inserted in printed record, etc.)

United States Circuit Court of Appeals
Eighth Circuit

Panhandle Eastern Pipe Line Company, a corporation, et al., Petitioners,

No. 12,466 vs.

Federal Power Commission, et al., Respondents.

It is stipulated between Petitioners and Respondents as follows:

1. In preparation of the printed record, it shall be unnecessary to color the various charts incorporated in Ex-

hibits Nos. 63, 64 and 253. If the charts, without further designation, are not clear, it will be permissible to cross-hatch, dot, or otherwise distinguish different blocks.

2. Since the Commission did not incorporate in the record the rate schedules referred to in Exhibit No. 264, it will be permissible for Petitioners to furnish the Clerk, for incorporation in the printed record, Schedule 12 and Supplement No. 2 to Schedule 12, described in Petitioners' designation.

GLENN W. CLARK,
D. H. CULTON,
Attorneys for Petitioners.

HARRY S. LITTMAN,
Attorney for Federal Power Commission.

JAMES H. LEE,
Attorney for City of Detroit.

HAROLD GOODMAN,
Attorney for County of Wayne.

PARK CHAMBERLAIN,
Attorney for Michigan Consolidated Gas Company.

JAMES W. WILLIAMS,
Attorney for Michigan Public Service Commission.

(Endorsed): No. 12,466. Filed in U. S. Circuit Court of Appeals on March 25, 1943.

[fol. 7193] (Appearance of Mr. D. H. Culton as Counsel for Petitioners.)

The Clerk will enter my appearance as Counsel for the Petitioners.

D. H. CULTON.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Nov. 14, 1942.

(Appearance of Mr. Glenn W. Clark as Counsel for Petitioners.)

The Clerk will enter my appearance as Counsel for the Petitioners.

GLENN W. CLARK.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Nov. 14, 1942.

[fol. 7194] (Appearance of Mr. Robert J. Bulkley as Counsel for Petitioners.)

The Clerk will enter my appearance as Counsel for the Petitioners.

ROBERT J. BULKLEY.

(Endorsed): Filed in U. S. Circuit Court of Appeals, May 14, 1943.

(Appearance of Mr. Arthur G. Logan as Counsel for Petitioners.)

The Clerk will enter my appearance as Counsel for the Petitioners.

ARTHUR G. LOGAN.

(Endorsed): Filed in U. S. Circuit Court of Appeals, May 14, 1943.

[fol. 7195] Appearance of Mr. John S. L. Yost as Counsel for Petitioners.)

The Clerk will enter my appearance as Counsel for the Petitioners.

JOHN S. L. YOST.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Mar. 13, 1944.

(Appearance of Mr. Charles V. Shannon and Mr. Harry S. Littman as Counsel for Respondent, Federal Power Commission.)

The Clerk will enter my appearance as Counsel for the Respondent, Federal Power Commission.

CHARLES V. SHANNON,
Assistant General Counsel.

HARRY S. LITTMAN,
Senior Attorney.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Nov. 14, 1942.

[fol. 7196] (Appearance of Mr. James H. Lee as Counsel for Respondent, City of Detroit.)

The Clerk will enter my appearance as Counsel for the City of Detroit, Respondent.

JAMES H. LEE,
Assistant Corporation Counsel,
City of Detroit,
301 City Hall Bldg.,
Detroit, Michigan.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Nov. 14, 1942.

(Appearance of Mr. Harold Goodman as Counsel for Respondent, County of Wayne.)

The Clerk will enter my appearance as Counsel for the respondent, County of Wayne.

HAROLD GOODMAN,
526 Dime Bank Bldg.,
Detroit, Mich.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Nov. 14, 1942.

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[fol. 7197] (Appearance of Mr. Park Chamberlain as Counsel for Respondent, Michigan Consolidated Gas Company.)

The Clerk will enter my appearance as Counsel for the Respondent, Michigan Consolidated Gas Company.

PARK CHAMBERLAIN.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Nov. 14, 1942.

(Appearance of Mr. James W. Williams as Counsel for Respondent, Michigan Public Service Commission.)

The Clerk will enter my appearance as Counsel for the Respondent, Michigan Public Service Commission.

JAMES W. WILLIAMS,
502 State Office Bldg.
Lansing, Michigan.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Dec. 19, 1942.

[fol. 7198] (Appearance of Mr. Henry A. Montgomery as Counsel for Respondents.)

The Clerk will enter my appearance as Counsel for the Respondents.

HENRY A. MONTGOMERY.

(Endorsed): Filed in U. S. Circuit Court of Appeals, Apr. 28, 1943.

(Appearance of Mr. A. V. McRee as Counsel for Respondents.)

The Clerk will enter my appearance as Counsel for the Respondents.

A. V. McREE,
415 Clifford Street,
Detroit, Michigan.

(Endorsed): Filed in U. S. Circuit Court of Appeals, May 1, 1943.

[fol. 7199] (Order of Submission.)

May Term, 1943.

Friday, May 14, 1943.

This cause having been called in its regular order, upon application of counsel for the respective parties in open Court, the time for oral argument was enlarged and permission granted for oral argument by more that two counsel on each side. Oral argument was made by Mr. D. H. Culton, Mr. Robert J. Bulkley and Mr. Arthur G. Logan for petitioners, and by Mr. Harry S. Littman, Principal Attorney Federal Power Commission, and Mr. Harold Goodman, Special Assistant Prosecuting Attorney for Wayne County, Michigan, for respondents.

Thereupon, this cause was submitted to the Court on the printed record and briefs of counsel filed herein.

[fol. 7200] (Order for Resubmission of Case to United States Circuit Court of Appeals.)

January Term, 1944.

Wednesday, January 12, 1944.

The case above entitled was argued and submitted to this Court at the May, 1943, Term at St. Paul, Minnesota. Decision was deferred pending a determination by the Supreme Court of the United States of the cases of Federal Power Commission, City of Akron and Pennsylvania Public Utility Commission vs. Hope Natural Gas Company; and City of Cleveland vs. Hope Natural Gas Company. Those cases have now been decided by that court. In view of the opinion of the Supreme Court in those cases, the division of this Court which heard this case considers that it is desirable that the case be resubmitted upon supplemental briefs and argument.

It is therefore ordered that the petitioners shall have until February 15, 1944, to file supplemental brief or briefs, that the respondents shall have until March 6, 1944, to file answering briefs, and that the petitioners shall have

until March 16 1944, to reply thereto. It is further ordered that this case be set down for argument on March 17, 1944, at Kansas City, Missouri, before the same division of this Court to which it was originally submitted.

January 12, 1944.

[fol. 7201] (Order resetting case for argument at Kansas City, Mo., on March 13, 1944.)

January Term, 1944.

Thursday, January 27, 1944.

This cause has heretofore been set down for argument on March 17, 1944, at Kansas City, Missouri, and it now appearing that the date of hearing should be changed, the case is now set for argument on Monday, March 13th, 1944, at Kansas City, Missouri, at ten o'clock in the forenoon. Briefs may be filed within the times provided for in the Order made by this Court January 12, 1944.

January 27, 1944.

[fol. 7202] (Order of Resubmission.)

March Term, 1944.

Monday, March 13, 1944.

This cause came on this day for reargument, in pursuance of the orders heretofore entered by this Court, and after hearing Mr. D. H. Culton for petitioners, Mr. Harry S. Littman, Assistant General Counsel, Federal Power Commission, for respondent, Mr. Harold Goodman, Special Assistant Prosecuting Attorney, for respondent Wayne County, Michigan, and Mr. John S. L. Yost for petitioners, this cause is thereupon taken by the Court as resubmitted on the record and briefs filed herein. Leave granted to respondent Federal Power Commission to hereafter file memorandum in response to petitioners' reply brief on reargument.

[fol. 7203] (Opinion.)

United States Circuit Court of Appeals
Eighth Circuit.

No. 12,466.

Panhandle Eastern Pipe Line Company, a corporation, Illinois Natural Gas Company, a corporation, and Michigan Gas Transmission Corporation, a corporation,
Petitioners,
vs.
Federal Power Commission, City of Detroit, Michigan, County of Wayne, Michigan, Michigan Consolidated Gas Company, a corporation, and Michigan Public Service Commission,
Respondents.

On Petition to Review and Set Aside Order of Federal Power Commission.

[June 6, 1944]

Mr. D. H. Culton, Mr. Robert J. Bulkley, Mr. Arthur G. Logan, and Mr. John S. L. Yost (with whom Mr. Glenn W. Clark and Mr. Ira Lloyd Letts were on the briefs) for petitioners.

Mr. Harry S. Littman, Assistant General Counsel, Federal Power Commission, and Mr. Harold Goodman, Special Assistant Prosecuting Attorney, County of Wayne, Michigan, (with whom Mr. Charles V. Shannon, Gen-

eral Counsel, Federal Power Commission, Mr. Robert L. Russell, Attorney, Federal Power Commission, Mr. Paul E. Krause, Corporation Counsel, City of Detroit, Michigan, Mr. James H. Lee, Assistant Corporation Counsel, City of Detroit, Michigan, Mr. William E. Dowling, Prosecuting Attorney, County of Wayne, Michigan, and Mr. Park Chamberlain, Mr. Henry A. Montgomery and Mr. A. V. McRee, counsel for respondent Michigan Consolidated Gas Company, were on the briefs) for respondents.

Before Sanborn, Woodrough, and Riddick, Circuit Judges.

Sanborn, Circuit Judge, delivered the opinion of the Court.

The petitioners, pursuant to §19(b) of the Natural Gas Act,[1] seek a review and reversal of an interim rate reduction order made by the Federal Power Commission on September 23, 1942. The case was argued and submitted at the May, 1943, term of this Court. Decision was deferred awaiting the determination by the Supreme Court of the United States of the cases of *Federal Power Commission, et al.* v. *Hope Natural Gas Company*, and *City of Cleveland* v. *Hope Natural Gas Company*. After the opinion in those cases was rendered (January 3, 1944, 320 U.S. 591) a resubmission of the instant case at the March, 1944, term of this Court, upon supplemental briefs and a reargument, was ordered, so that we might have the benefit of the views of counsel as to the impact of the opinion of the Supreme Court in the Hope Natural Gas Company cases upon the questions here involved.

The petitioners are Panhandle Eastern Pipe Line Company and its wholly owned subsidiaries, Illinois Natural Gas Company and Michigan Gas Transmission Corpora-

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[1]Act of June 21, 1938, c. 556, 52 Stat. 821, 831; 15 U.S.C.A. §717r(b).

tion. Their separate holdings constitute a single system for the gathering, transportation, and sale of natural gas, and appropriately may be regarded and referred to as though jointly owned and operated by the petitioners. The respondents are Federal Power Commission, City of Detroit, Michigan, County of Wayne, Michigan, Michigan Consolidated Gas Company, and Michigan Public Service Commission.

The petitioners gather, through production and purchase, natural gas in the Amarillo gas field of the Texas Panhandle and in the Hugoton gas field in southwestern Kansas. This gas is transported to markets through a main transmission pipeline which extends for a distance of about 860 miles from a point in Moore County, Texas, across the states of Oklahoma, Kansas, Missouri and Illinois, to a point near Dana, Indiana, close to the Illinois-Indiana boundary, where the line connects with a transmission pipeline extending from Dana, Indiana, to a point near Zionsville, Indiana, where the line branches. One branch runs to Detroit, Michigan, and the other to Muncie, Indiana. Lateral pipelines extend from petitioners' main transmission line in Illinois. Through their system of pipelines, natural gas is marketed by the petitioners, mainly for resale, in Texas, Kansas, Missouri, Illinois, Indiana, Michigan, and Ohio. The petitioners serve more than 200 communities and upwards of 700,000 consumers of gas and have the longest natural gas pipeline in existence.

On February 28, 1941, the City of Detroit and the County of Wayne, Michigan, filed a petition with the Federal Power Commission, asserting that the rates and charges of petitioners Panhandle Eastern Pipe Line Company and Michigan Gas Transmission Corporation for natural gas sold to Michigan Consolidated Gas Company, for resale in that City and County, were unjust, unreasonable and unduly discriminatory. On May 22, 1941, the Commission, of

its own motion, instituted an investigation of the wholesale rates and charges of those two petitioners for natural gas. The investigation was later enlarged to include the Illinois Natural Gas Company. The two proceedings before the Commission, known as Docket No. G-200 and Docket No. G-207, were consolidated for hearing. The Michigan Consolidated Gas Company and the Michigan Public Service Commission were permitted to intervene. The hearing was begun on July 15, 1941, before a trial examiner, and continued from time to time thereafter until April 23, 1942. More than 10,000 pages of testimony was taken, and more than 250 exhibits were received in evidence.[2]

On April 23, 1942, the trial examiner adjourned the hearing pending the disposition of motions filed by counsel for the Federal Power Commission and by the City of Detroit, the County of Wayne, and Michigan Consolidated Gas Company for an interim order directing a reduction of petitioners' rates pending further hearing and investigation. It appears that the complainants before the Commission were contending that petitioners' rates should immediately be reduced by $6,800,479 per annum, and that counsel for the Commission and the Michigan Consolidated Gas Company were urging a rate reduction of approximately $5,500,000 per annum.

The Commission filed its opinion on September 23, 1942. It took the year 1941 as the appropriate test period. It found that the "Actual Cost of Gas Plant in Service at

[2] In describing the hearing, the Commission in its opinion states:

"The complainants [City of Detroit and County of Wayne, Michigan] offered one witness in support of their petition. The respondents [petitioners in this Court] offered 24 witnesses who presented a complete rate case including, among other matters, evidence of operations, revenues, expenses, book cost and original cost of their properties, 'going concern value,' working capital, gas reserves, depreciation, rate of return, future capital expenditures and allocation of costs. Counsel for the Commission called 5 witnesses whose testimony related principally to depreciation, a write-up, historical earnings on average net investment, working capital, rate of return, and allocation of costs. The interveners [Michigan Public Service Commission and Michigan Consolidated Gas Company] presented no witnesses. The witnesses were tendered to all parties for cross-examination and full opportunity was given to present rebuttal evidence."

December 31, 1941," was $78,814,292; that accrued depreciation was $12,596,987; that the actual cost less accrued depreciation was $66,217,305. To this amount the Commission added $920,000 for working capital; and this produced a rate base of $67,137,305. The Commission determined that a fair anuual rate of return was 6½% of that amount, or $4,363,925; that the net operating revenue of petitioners for 1941 ("Available for Return") was $9,458,309, which was $5,094,384 in excess of the return found by the Commission to be reasonable. The Commission concluded that to that extent the rates and charges of petitioners were unjust, unreasonable, unlawful, and violative of the provisions of the Natural Gas Act. The order of the Commission, filed September 23, 1942, required that:

"The rates and charges made, demanded, or received by the respondents [petitioners here] for or in connection with their transportation and sale of natural gas in interstate commerce for resale for ultimate public consumption shall be so reduced as to reflect, when applied to respondents' [petitioners'] 1941 transportation and sales, a reduction of not less than $5,094,384 per annum below their 1941 consolidated gross operating revenues of $17,789,573; * * *"

The petitioners contend that the order of the Commission is invalid because: (1) The trial examiner excluded relevant and material evidence of the value of their property; (2) the Commission erred in assuming jurisdiction over the petitioners' production and gathering of natural gas; (3) the Commission erred in assuming jurisdiction over the petitioners' revenues from direct sales of gas to customers for their own use; (4) the return allowed by the Commission is unjust, unreasonable and confiscatory.

These contentions will be considered in their order.

1.

The petitioners state that the evidence offered by them and rejected by the trial examiner showed that the present

reproduction or replacement cost of Panhandle Eastern's physical properties as of June 30, 1941, less observed and determined depreciation, was $7,892,174 greater than original cost less book reserves; that the present reproduction cost of the physical properties of the Michigan Gas Transmission Corporation, similarly ascertained, was $2,933,808 in excess of actual cost less book reserves, and that Panhandle Eastern's leaseholds have a present market value $7,384,626 greater than the net investment therein as shown by its books. The rejected evidence tended to establish a reproduction cost or replacement value, less observed depreciation, for all of the petitioners' property of $83,957,083.

The ruling of the trial examiner excluding this evidence was approved by the Commission in its opinion of September 23, 1942. The reasons given by the Commission for its approval of the exclusion of the evidence of reproduction cost are, in substance: that §6(a) of the Natural Gas Act [15 U.S.C.A. §717e(a)] provides that "The Commission may investigate and ascertain the actual legitimate cost of the property of every natural gas company, the depreciation therein, and, when found necessary for rate-making purposes, other facts which bear on the determination of such cost or depreciation and the fair value of such property;" that there is no need for estimating the cost of petitioners' property; that petitioners' cost records are accurate, complete and properly maintained; that their plant was constructed in recent years and there is no difficulty in ascertaining from petitioners' books the actual legitimate cost of or investment in their property; that the Commission has held that reproduction cost evidence is inherently fallacious and should be disregarded under the statute; that the defects of such evidence have been pointed out by the Supreme Court of the United States; that it seems evident that Congress recognized the fallacy of the reproduction cost doctrine and sought by the enactment of

§6(a) to do away with that concept of rate-making; that the Supreme Court, in *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U.S. 575, 586, said:

"The Constitution does not bind rate-making bodies to the service of any single formula or combination of formulas. Agencies to whom this legislative power has been delegated are free, within the ambit of their statutory authority, to make the pragmatic adjustments which may be called for by particular circumstances;"

that, in a concurring opinion in that case, Justices Black, Douglas, and Murphy said (p. 606 of 315 U.S.):

"As we read the opinion of the Court, the Commission is now freed from the compulsion of admitting evidence on reproduction cost or of giving any weight to that element of 'fair value.' The Commission may now adopt, if it chooses, prudent investment as a rate base — the base long advocated by Mr. Justice Brandeis. And for the reasons stated by Mr. Justice Brandeis in the Southwestern Bell Telephone case [*Southwestern Bell Telephone Co. v. Public Service Commission*, 262 U.S. 276], there could be no constitutional objection if the Commission adhered to that formula and rejected all others;"

that the Commission has been authorized by Congress to determine in the first instance the actual legitimate cost of utility properties and the depreciation therein; that the rate base is such cost less existing depreciation, plus necessary working capital; that it is certain from the record that no necessity exists requiring consideration of other facts in determining a rate base in these proceedings.

The petitioners assert that the power granted to the Commission under the Natural Gas Act to reduce rates can be exercised only if the Commission, after a full and fair hearing, shall determine that existing rates are unjust, unreasonable, unduly discriminatory or preferential [§5(a) of the Act; 15 U.S.C.A. §717d]; that the duties of the Commission are of a quasi judicial character; that it must receive and consider any evidence that might or could be

determined by a fair-minded person to be material in reaching a determination of the ultimate fact, namely, a fair price for the commodity sold or the service rendered; that, in determining the just and reasonable return to be allowed, any and all evidence which is relevant must first be admitted and considered.

Apparently no court has as yet ruled that the Federal Power Commission may, in a rate hearing, refuse to receive and consider evidence of replacement or reproduction cost of the properties of a company subject to the Natural Gas Act. It was held, in effect, in the case of *Federal Power Commission v. Natural Gas Pipeline Co.*, 315 U.S. 575, 586, 606-607, and in the *Hope Natural Gas Company* cases, 320 U.S. 591, 602-605, that the Commission was not bound to give weight to such evidence in determining rates.

Nevertheless, the question whether the refusal of the Commission to receive the evidence of reproduction or replacement cost or value offered by the petitioners amounted to a denial of due process is not free from doubt. That §6(a) of the Natural Gas Act authorizes the Commission to reject evidence which it regards as not "necessary for rate-making purposes" is questionable. There is little to indicate that Congress, in enacting §6(a), intended to change the law of evidence. That section apparently relates to the investigation and ascertainment by the Commission of material facts relevant to the question of "fair value", and probably has no controlling effect upon the admissibility of evidence at a rate hearing.

In *Donnelly Garment Co. v. National Labor Relations Board*, 8 Cir., 123 F.2d 215, 224, this Court said:

"That a refusal by an administrative agency such as the National Labor Relations Board to receive and consider competent and material evidence offered by a party to a proceeding before it, amounts to a denial of due process is not open to debate."

And:

"* * * That the Board would or might have reached no different conclusion had the rejected evidence been received, is entirely beside the point. The truth is that a controversy tried before a court or before an administrative agency is not ripe for decision until all competent and material evidence proffered by the parties has been received and considered."

This is a correct statement of the law. The respondents do not contend to the contrary, but deny the applicability of the rule in the instant case. The evidence rejected in the Donnelly Garment Company case was competent, relevant and material. It bore directly upon the issue being tried by the National Labor Relations Board, namely, whether an independent union of the employees of the Donnelly Garment Company was company dominated or not. The basis for rejecting the evidence in that case was, in substance, that it was not worthy of belief and would not be credited.

The case of *Pittsburgh Plate Glass Co. v. National Labor Relations Board*, 313 U.S. 146, indicates that the rejection of relevant evidence by an administrative agency does not always constitute a denial of due process. In that case the question before the Board was whether all of the employees at all of the plants of the Glass Company constituted an appropriate unit for collective bargaining or whether the employees at the Crystal City plant of the company, who had an independent union of their own and wanted to have their own bargaining representative, should be considered a separate unit. The Board determined to disregard the wishes of the employees at the Crystal City plant, and excluded evidence thereof. The Board had a wide discretion with respect to the selection of the appropriate unit for the purposes of collective bargaining. The Glass Company contended that, in rejecting relevant evidence as to the wishes and situation of the employees at the Crystal City plant, the Board had denied a fair hearing. This

Court, on review of the Board's order, thought that, under the circumstances of that case, the rejection of the evidence did not amount to a denial of due process. *(Pittsburgh Plate Glass Co. v. National Labor Relations Board,* 8 Cir., 113 F.2d 698, 703.) The Supreme Court affirmed, saying (page 163 of 313 U.S.):

"Further, if we consider all the contentions about exclusion of evidence together instead of separately, we do not find that in the aggregate the evidence excluded could have materially affected the outcome on the 'appropriate unit' issue, in the light of the criteria by which the Board determined that issue."

Mr. Justice Stone, in expressing his dissent and that of Mr. Chief Justice Hughes and Mr. Justice Roberts, said in conclusion (page 177 of 313 U.S.):

"One of the most important safeguards of the rights of litigants and the minimal constitutional requirement, in proceedings before an administrative agency vested with discretion, is that it cannot rightly exclude from consideration facts and circumstances relevant to its inquiry which upon due consideration may be of persuasive weight in the exercise of its discretion. *Interstate Commerce Commission* v. *Chicago, R. I. & P. Ry. Co.*, 218 U.S. 88, 102; *St. Joseph Stock Yards Co.* v. *United States,* 298 U.S. 38, 75, 78; *Ohio Bell Telephone Co.* v. *Commission,* 301 U.S. 292, 304, 305."

The majority opinion of the Supreme Court in the Pittsburgh Plate Glass Company case indicates that where an administrative agency has authority to choose the criteria determinative of an issue of fact, it may reject evidence which has no materiality in view of the criteria adopted, and that, under those circumstances, the rejection of such evidence is not a denial of due process.

The Federal Power Commission is not bound "to the service of any single formula or combination of formulas" *(Federal Power Commission* v. *Natural Gas Pipeline Co., supra,* p. 586 of 315 U.S.) in fixing rates. It follows that the

Commission may, for rate-making purposes, select any permissible formula or combination of formulas which it considers appropriate under the circumstances. While one may reasonably believe that the Commission should in any case receive all evidence which is relevant and material under any theory of rate making, we think it cannot be said, in view of the majority opinion in the Pittsburgh Plate Glass Company case (313 U.S. 146), that the rejection of evidence of reproduction cost or of market or replacement value in the case before us amounted to a denial of due process requiring a remand of the proceeding to the Commission. It is, of course, apparent from the opinion of the Commission that the remand of this proceeding so that the evidence offered and rejected might be received, considered, and then disregarded by the Commission, would be a useless formality. The Commission has stated that it regards such evidence as valueless under the circumstances of this case, and considers that the legitimate cost or prudent investment formula is alone applicable. While the importance of requiring administrative agencies to observe the minimal requirements of due process cannot be over-emphasized, practical considerations are not to be completely ignored in determining whether a case shall be remanded, where the rights of a party have not been prejudiced by the rejection of evidence which, though admissible, is immaterial in the light of permissible criteria adopted by an agency for determining the issue before it. Moreover, for the purpose of review, this Court may assume that the proffered evidence, if admitted, would have proved all that the petitioners claim for it, namely, that the reproduction cost of their property, less observed depreciation, on June 30, 1941, was $83,957,083.

2.

The second question is whether the Commission erroneously assumed jurisdiction over the petitioners' production and gathering of natural gas.

Section 1(b) of the Natural Gas Act [15 U.S.C.A. §717(b)] reads:

"The provisions of this Act shall apply to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate public consumption for domestic, commercial, industrial, or any other use, and to natural-gas companies engaged in such transportation or sale, but shall not apply to any other transportation or sale of natural gas or to the local distribution of natural gas or to the facilities used for such distribution or to the production or gathering of natural gas."

The basis for the petitioners' assertion that the Commission unlawfully exercised jurisdiction over their facilities used in the production of natural gas seems to be that the inclusion in the rate base of the depreciated book cost of such facilities, instead of their present enhanced market value, was erroneous and amounted to an abuse of power.

Petitioners claimed before the Commission, and offered to prove, that leaseholds which were carried on their books at less than $1,000,000 had a market value of about $8,400,000. In their reply brief on reargument, petitioners concede the right of the Commission to value their production property, but state that,—

"Their objection to the Commission's procedure is that it refused to admit *evidence from which such a valuation could have been made.* Having refused to admit that evidence, it erred in entering an order which, in effect, limits petitioners' earnings from their production and gathering properties to a return far below that which would have resulted had the Commission determined the value of the gas through a consideration of the present value of petitioners' production and gathering properties. The entering of this arbitrary order after the exclusion of evidence from which the *value* of the gas at the point where it enters the interstate pipe line could have been determined necessarily constituted an exercise of jurisdiction over produc-

tion and gathering, a jurisdiction expressly withheld from the Commission."

That is saying, in effect, that the jurisdiction of the Commission extends to making a valuation of petitioners' gathering and production facilities, for rate-making purposes, provided that the Commission does not use a method or apply a formula which results in an underestimate of the value of the gas produced. If there is an infirmity in the Commission's determination of the amount which should be included in the rate base as the cost or value of such facilities, we think the infirmity arises from the method used in making the valuation, and not from any lack of jurisdiction. Since the Commission was not obliged to adopt reproduction or replacement cost in determining "fair value" for rate-making purposes, but could adopt the actual cost or prudent investment formula as a basis, it is impossible for us to say that the Commission exceeded its power in not including in the rate base the present market value of petitioners' leaseholds. The Commission could, no doubt, have increased the rate base by the enhancement in market value of the leaseholds, but we think it was not compelled to do so.

3.

The third question is whether the order is invalid because of the Commission's failure to make an allocation or segregation of revenues derived from direct sales of gas to customers for their own use.

Concededly, the Commission has not fixed the petitioners' rates for such sales, and has only prescribed reduced rates for interstate sales of natural gas for the purpose of resale. The petitioners assert, however, that the necessary effect of the Commission's order is to reduce their rates and revenues on all sales and to deprive them of substantial profits from direct sales, and amounts to an as-

sumption of jurisdiction over a part of their business which the Commission may not regulate.

The reasons given by the Commission for declining to make an allocation or segregation of revenues are that the direct sales are made to 19 industrial customers on an interruptible basis, and at prices fixed by competition with other fuels; that no plant capacity has been provided for the direct industrial customers; that deliveries to them are made only when there is excess capacity not required by wholesale customers; that $128,848 of the entire investment in plant (less than one-sixth of one per cent) is used exclusively in the service of the direct sales; that petitioners treat their entire business as a unit and make no segregation of costs or profits as between the two classes of sales; that the incidental direct industrial business of petitioners is in reality a by-product of the wholesale business, comparable to the petitioners' gasoline extraction business; and that there is no showing that the direct sales are so distinct and separate from the general wholesale business that the two cannot be considered together.

The respondents deny that an allocation or segregation of the revenues and expenses attributable to direct sales would have materially affected the result or that the Commission's order reduces the petitioners' income from direct sales. The respondents contend that the order of the Commission gives the petitioners more than the return on direct sales which they contended in their evidence they were entitled to receive. The petitioners, however, assert that the order of the Commission takes from them approximately one-half of the revenue of $1,000,828 a year derived from direct sales.

The record indicates that the 1941 revenue of petitioners from direct industrial sales less expenses, but before Federal income taxes, was $1,000,828; that a fair allocation of

this revenue would be to treat one-half of it as derived from direct sales; and that the net amount properly attributable to that nonregulated portion of the business would be $319,656 ($500,414 return less $180,758 income taxes at 1941 tax rates). Under the Commission's order, the petitioners are allowed a 6½% return ($4,363,925) on their entire business. Under the method of allocation proposed by an expert witness of the Commission, $4,017,878 of the return would be attributable to sales at wholesale (subject to regulation), and $346,047 to direct industrial sales (not subject to regulation). There is in the record a substantial basis for the Commission's conclusion that, in determining reasonable rates for sales of natural gas subject to regulation, it was unnecessary to make a segregation of revenues attributable to sales not subject to regulation, and that, if a segregation had been made, it would not materially have affected the result.

In determining whether the wholesale rates of a natural-gas company subject to the Act are unreasonable, the Commission is, no doubt, obligated to give appropriate consideration to the fact that the revenues of the company derived from direct sales to customers are not subject to regulation. A failure of the Commission to give appropriate effect to that fact, unless arbitrary or capricious, does not, we think, deprive the Commission of its jurisdiction to make a rate order with respect to sales which are subject to regulation. Jurisdiction to decide a doubtful question of fact includes jurisdiction to decide it either correctly or incorrectly. *Pittsburgh Plate Glass Co. v. National Labor Relations Board*, 8 Cir., 113 F.2d 698, 701. The adjustments made necessary by reason of the fact that certain of the sales and revenues of the petitioners are not subject to regulation are, we think, "pragmatic adjustments * * * called for by particular circumstances" (*Federal Power Commission v. Natural Gas Pipeline Co.*,

315 U.S. 575, 586), which the Commission has power to make.

4.

The last question for consideration is whether the return allowed by the Commission has been shown to be unjust, unreasonable or confiscatory.

The opinion of the Supreme Court in the Hope Natural Gas Company cases indicates to us that, aside from questions relating to procedural due process and to jurisdiction, a reviewing court may interest itself only in the effect of the Commission's order. The court cannot concern itself with the Commission's choice of formulae or the propriety of the methods employed by it in reaching its conclusion, but only with the consequences of the order made. If the effect of the order is to deny to the utility a return sufficient reasonably to meet its necessities and to enable it to continue to render adequate public service, the order is arbitrary and confiscatory and may be set aside. It seems apparent that the Supreme Court is presently of the opinion that, within broad limits, the Federal Power Commission should be freed from judicial interference in regulating rates of natural-gas companies. It is evidently no longer necessary for a reviewing court to consider many of the doubtful and debatable questions which ordinarily arise in every rate case, such as: Whether replacement or reproduction cost less observed depreciation, or prudent investment, or historical cost shall be used as a rate base; whether proper allocation of revenues which are subject to regulation and revenues which are not subject to regulation has been made by the Commission; whether the cost or value of items of property which, for reasons deemed sufficient by the Commission, have been excluded by it from the rate base should have been included; whether the Commission has given due consideration to every

pertinent fact; and whether the reasoning of the Commission which underlies its final determination is sound or unsound.[3]

The order of the Commission must be affirmed unless the petitioners have made a convincing showing that it is unreasonable in its consequences because the return allowed is insufficient to enable them to meet their expenses of operation, to pay interest on their bonds and dividends on their stock, to maintain their credit, and to attract capital, or is clearly out of line with the returns on investments in enterprises involving comparable risks.

In the Hope Natural Gas Company cases, original investment or actual cost had been estimated at about \$70,000,000, of which \$17,000,000 had been charged to operating expenses. The Commission found "actual legitimate cost" to be \$51,975,416. From this it deducted \$22,328,016 for depletion and depreciation. It added \$1,392,021 for future net capital additions, \$566,105 for

[3] In *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U.S. 591, 602-603, the Supreme Court said:

"We held in *Federal Power Commission* v. *Natural Gas Pipeline Co.*, *supra* [315 U.S. 575], that the Commission was not bound to the use of any single formula or combination of formulae in determining rates. Its rate-making function, moreover, involves the making of 'pragmatic adjustments.' Id., p. 586. And when the Commission's order is challenged in the courts, the question is whether that order 'viewed in its entirety' meets the requirements of the Act. Id., p. 586. Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling. Cf. *Los Angeles Gas & Electric Corp.* v. *Railroad Commission*, 289 U.S. 287, 304-305, 314; *West Ohio Gas Co.* v. *Public Utilities Commission* (No. 1), 294 U.S. 63, 70; *West* v. *Chesapeake & Potomac Tel. Co.*, 295 U.S. 662, 692-693 (dissenting opinion). It is not theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unjust and unreasonable, judicial inquiry under the Act is at an end. The fact that the method employed to reach that result may contain infirmities is not then important. Moreover, the Commission's order does not become suspect by reason of the fact that it is challenged. It is the product of expert judgment which carries a presumption of validity. And he who would upset the rate order under the Act carries the heavy burden of making a convincing showing that it is invalid because it is unjust and unreasonable in its consequences. Cf. *Railroad Commission* v. *Cumberland Tel. & T. Co.*, 212 U.S. 414; *Lindheimer* v. *Illinois Bell Tel. Co.*, *supra* [292 U.S. 151] pp. 164, 169; *Railroad Commission* v. *Pacific Gas & Electric Co.*, 302 U.S. 388, 401.

"The rate-making process under the Act, i. e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and the consumer interests.

useful unoperated acreage, and $2,125,000 for working capital. This produced a rate base of $33,712,526, which was about one-half of the amount claimed by the company to have been actually invested, and was also about one-half of estimated reproduction cost less depreciation. The allowed return of 6½% upon this rate base gave the Hope Natural Gas Company an annual return of $2,191,314, as compared with a return of $5,801,171 during the test year 1940.

In the instant case, petitioners assert that the "prudent investment" (as of December 31, 1941) upon which they were entitled to earn a fair return was at least $75,725,676. As already stated, the Commission found actual legitimate cost to be $78,814,292; deducted $12,596,987 for depreciation; and added $920,000 for working capital; producing a rate base of $67,137,305. The Commission declined to include in the rate base $4,944,820 invested in construction work in progress, and budget estimates of $6,372,100 to complete construction. The Commission found that the facilities under construction were to meet new demands for

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Thus we stated in the Natural Gas Pipeline Co. case that 'regulation does not insure that the business shall produce net revenues.' 315 U.S. p. 590. But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. Cf. *Chicago & Grand Trunk Ry. Co.* v. *Wellman*, 143 U.S. 339, 345-346. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. See *Missouri ex rel. Southwestern Bell Tel. Co.* v. *Public Service Commission*, 262 U.S. 276, 291 (Mr. Justice Brandeis concurring). The conditions under which more or less might be allowed are not important here. Nor is it important to this case to determine the various permissible ways in which any rate base on which the return is computed might be arrived at. For we are of the view that the end result in this case cannot be condemned under the Act as unjust and unreasonable from the investor or company viewpoint."

The court also said (page 605 of 320 U.S.)

"* * * Rates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed certainly cannot be condemned as invalid, even though they might produce only a meager return on the so-called 'fair value' rate base."

service to territory not already served by the petitioners, the revenues from which could not be estimated. The 6½% return allowed by the Commission gave petitioners a return of $4,363,925 annually over and above expenses of operation and allowances for depreciation, depletion, amortization, and taxes. The petitioners' long-term debt as of February 28, 1942, was $33,254,500. The annual interest cost upon it was determined to be 2.88%, or $957,730. The preferred stock outstanding was $16,000,000, and the dividend cost upon it was found to be 5.87%, or $939,200 annually. Therefore, the service cost on bonds and preferred stock is $1,896,930 per annum; leaving $2,466,995 as earnings for the comon stock. Petitioners have common stock outstanding to the amount of $20,184,175. The annual return upon common stock under the rates allowed by the Commission exceeds 12%. Petitioners, however, contend that they are entitled to at least a 12% return on their common stock and surplus, which together amount to $27,294,990. They state that unless they have such a return the common stock will not be attractive to purchasers. They argue that the least amount they should be allowed to earn upon common stock and surplus is $3,275,399, and that the return allowed by the Commission is about $800,000 short of being adequate. They also refer to the fact that sinking fund requirements and necessary additions to surplus will or may prevent adequate distributions of earnings to common stockholders.

It is, to say the least, doubtful that earnings of approximately $2,500,000 annually (9%) upon the common stock and surplus of petitioners — whether such earnings are distributed each year or accumulated — would make the petitioners' securities unattractive to purchasers. The evidence indicates that such a return compares not unfavorably with the returns upon similar investments involving comparable risks. In any event, there is nothing in the opinion in the Hope Natural Gas Company cases to

justify a belief that this Court could successfully substitute its judgment for that of the Commission with respect to the debatable question whether the return allowed the petitioners is sufficient to attract investors, or that we could invalidate the Commission's order upon the theory that the return allowed is obviously so unfair and inadequate as to be confiscatory.

Attention should be directed to the fact that the order complained of is not final and irrevocable. *Federal Power Commission* v. *Hope Natural Gas Co.*, 320 U.S. 591, 615. It must be assumed that if actual experience demonstrates that the rates as reduced by the Commission are unreasonably low, the Commission will allow the petitioners to increase their rates. This Court cannot presume that if either unreasonably low or unreasonably high interim rates are prescribed by the Commission, they will be perpetuated. We regard the order under review as a preliminary one made to cover a reasonable test period and subject to change by the Commission if experience shall prove that the rates fixed are either too low or too high.

Unless we have misconceived the teachings and implications of the opinion of the Supreme Court in the Hope Natural Gas Company cases, the standards by which the validity of the Commission's order is to be judged require its affirmance.

We shall, of course, retain jurisdiction over the funds which have been and are being impounded under the stay order which was granted by this Court to preserve the *status quo* pending the final determination of this case.

The mandate of this Court will be withheld for sixty days to allow the petitioners to apply to the Supreme Court for certiorari. If certiorari is applied for within that time, the mandate will be retained until the applica-

tion is ruled upon, and, if it is granted, until the case is finally determined.

The order of the Commission is affirmed.

RIDDICK, Circuit Judge, dissenting.

I agree with the result reached by the majority on all points decided except on the question concerning the refusal of the Commission to make an allocation as between the interstate sales and transportation of petitioners, subject to the Commission's jurisdiction, and their interstate sales and transportation beyond the jurisdiction of the Commission. Heretofore, the Commission has recognized the necessity of such an allocation and has made it. *Re Interstate Natural Gas Co., Inc.*, 48 PUR (NS) 267, 279; *Re Canadian River Gas Co., et al.*, 43 PUR (NS) 205, 231; *Re Cities Service Gas Co.*, 50 PUR (NS) 65, 89. That a separation of transactions within and beyond the jurisdiction of the Commission is required by the Natural Gas Act, and must be made in order that "regulation may be confined to its permitted field" is held in *Colorado Interstate Gas Co.* v. *Federal Power Commission*, 10 Cir., decided May 16, 1944. Here the Commission has admittedly refused to observe the limit upon its jurisdiction, fixed by Congress. In this situation it seems to me idle to inquire whether the Commission's order, call it a "pragmatic adjustment" or what-not, does or does not result in confiscation of petitioners' property, or whether it is less or more favorable to petitioners than would have been the case had the Commission confined itself to its permitted field. It is enough to require a remand of this proceeding that the Commission has exceeded the statutory limitation on its powers.

[fol. 7226] (Judgment.)

United States Circuit Court of Appeals
Eighth Circuit.

May Term, 1944.

Tuesday, June 6, 1944.

Panhandle Eastern Pipe Line Company, a corporation, Illinois Natural Gas Company, a Corporation, and Michigan Gas Transmission Corporation, a Corporation, Petitioners,

No. 12466 vs.

Federal Power Commission, City of Detroit, Michigan, County of Wayne, Michigan, Michigan Consolidated Gas Company, a Corporation, and Michigan Public Service Commission.

On Petition to Review and Set Aside Order of Federal Power Commission.

This cause came on to be heard on the petition to review and set aside the order of the Federal Power Commission dated September 23, 1942, as amended October 12, 1942, and was argued by counsel.

On Consideration Whereof, It is now here Ordered and Adjudged by this Court that the order of the Federal Power Commission in this cause be, and the same is hereby, affirmed without taxation of costs in this Court in favor of either of the parties.

It is further Ordered by this Court that jurisdiction over the funds which have been and are being impounded under the stay order which was granted by this Court to [fol. 7227] preserve the status quo pending the final determination of this case be, and is by the Court hereby, retained.

And it is further Ordered by this Court that issuance of mandate in this cause be withheld for a period of sixty days from and after this date to allow the petitioners to apply to the Supreme Court of the United States for a writ of certiorari. If certiorari is applied for within that

time the mandate will be retained until the application is ruled upon, and, if it is granted, until the case is finally determined.

June 6, 1944.

[fol. 7228] (Clerk's Certificate.)

United States Circuit Court of Appeals
Eighth Circuit

I, E. E. Koch, Clerk of the United States Circuit Court of Appeals for the Eighth Circuit, do hereby certify that the foregoing transcript composed of sixteen volumes, Volume I consisting of pages a to 512, inclusive, Volume II consisting of pages 513 to 1024, inclusive, Volume III consisting of pages 1025 to 1520, inclusive, Volume IV consisting of pages 1521 to 2016, inclusive, Volume V consisting of pages 2017 to 2512, inclusive, Volume VI consisting of pages 2513 to 3040, inclusive, Volume VII consisting of pages 3041 to 3536, inclusive, Volume VIII consisting of pages 3537 to 4056, inclusive, Volume IX consisting of pages 4057 to 4429, inclusive, Volume X consisting of pages 4431 to 4852, inclusive, Volume XI consisting of pages 4853 to 5267, inclusive, Volume XII consisting of pages 5269 to 5603, inclusive, Volume XIII consisting of pages 5605 to 5967, inclusive, Volume XIV consisting of pages 5969 to 6243, inclusive, Volume XV consisting of pages 6245 to 6725, inclusive, and Volume XVI consisting of pages 6727 to 7229, inclusive, contains the transcript of the record on Petition to Review and Set Aside Order of Federal Power Commission as prepared and printed, pursuant to designations, under the rules of the United States Circuit Court of Appeals for the Eighth Circuit, under the supervision of its Clerk, and full, true and complete copies of the pleadings, record entries and proceedings, including the opinion, had and filed in the United States Circuit Court of Appeals, except the full [fol. 7229] captions, titles and endorsements omitted in pursuance of the rules of the Supreme Court of the United States, prepared at the direction of counsel for petitioners, in a certain matter in said Circuit Court of Appeals wherein Panhandle Eastern Pipe Line Company, a Corporation, et al., were Petitioners, and the Federal Power Commis-

sion, et al., were Respondents, No 12466, as full, true and complete as the originals of the same remain on file and of record in my office.

In Testimony Whereof, I hereunto subscribe my name and affix the seal of the United States Circuit Court of Appeals for the Eighth Circuit, at office in the City of St. Louis, Missouri, this 11th day of July, A. D. 1944.

(Seal)

E. E. KOCH,
Clerk of the United States Circuit Court of Appeals for the Eighth Circuit.

[fol. 7230] SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—January 3, 1945

On Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Eighth Circuit.

A motion for leave to file a petition for rehearing and petition for rehearing having been submitted in this case to enlarge the scope of review.

Upon consideration thereof, it is ordered by this Court that the motion for leave to file and petition for rehearing be, and the same are hereby, granted.

The order of November 13, 1944, granting certiorari is vacated. The petition for writ of certiorari herein is granted limited to questions 2 and 3 presented by the petition for the writ.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.